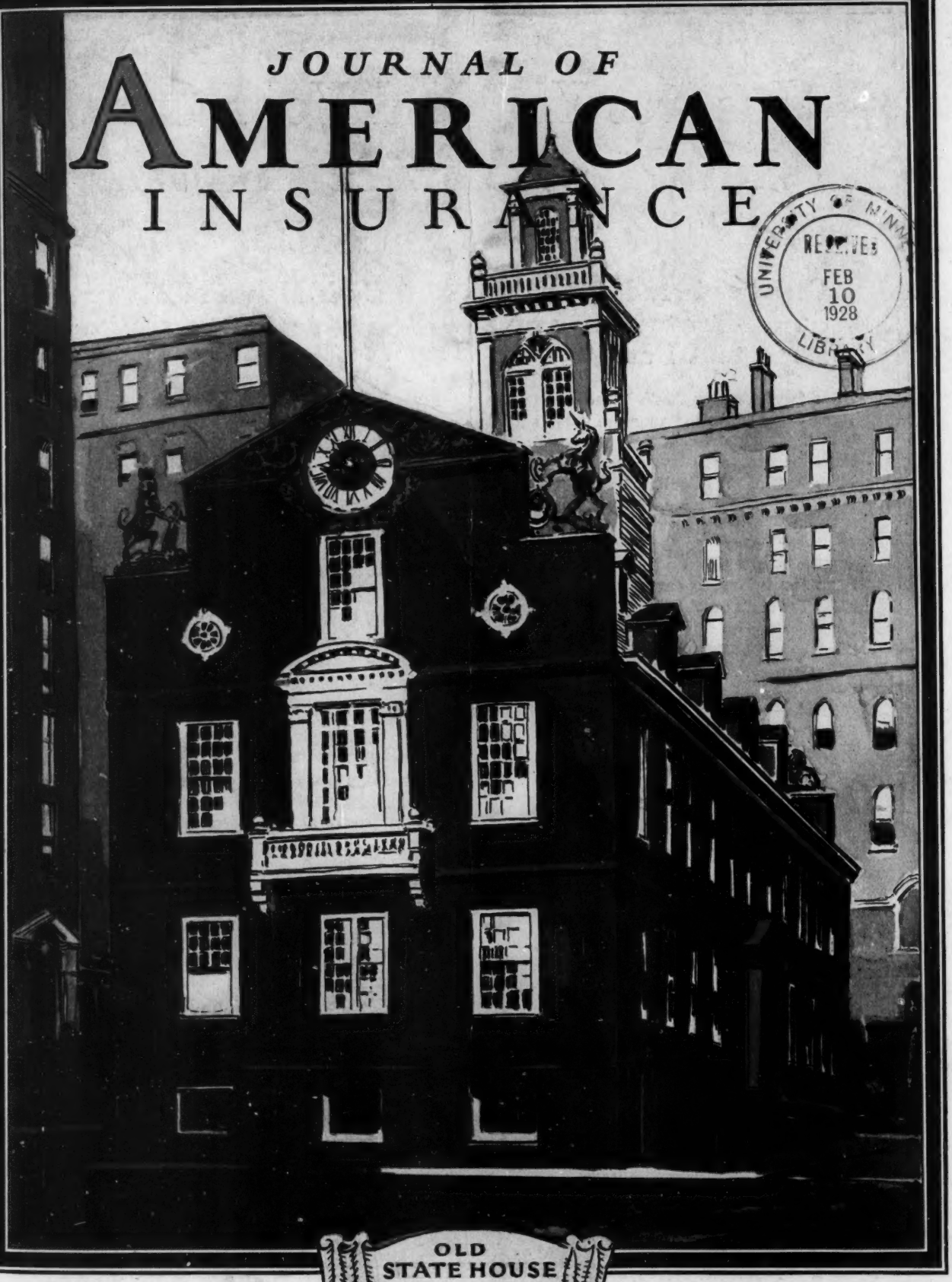
JOURNAL OF AMERICAN INSURANCE

UNIVERSITY OF MINN
RECEIVED
FEB
10
1928
LIBRARY



OLD STATE HOUSE BOSTON

FEBRUARY 1928

TWENTY FIVE CENTS

Insures You and Your Car and Gives Service to Both

Our Preferred Policy Gives to Both Man and Motor Super-Protection and Super-Service. These are its Important Features:

Pays for injury or death to others.
Pays costs of defending suits occasioned by such accidents.
Pays interest on judgment and costs of suit.
Pays first-aid medical and surgical service.
Pays for injury suffered by car from collision.
Pays for injury to the property of others from collision.
Pays for injury to car from fire.
Pays for stolen car.
Pays for stolen tires and other accessories.
Pays estate $5,000.00 for loss of life.
Pays insured $5,000.00 for loss of both feet.
Pays insured $5,000.00 for loss of both hands.
Pays insured $5,000.00 for loss of both eyes.
Pays insured $5,000.00 for loss of one hand and one eye.
Pays insured $5,000.00 for loss of one foot and one eye.
Pays insured $5,000.00 for loss of one hand and one foot.
Pays insured $2,500.00 for loss of sight to one eye.
Pays insured $2,500.00 for loss of either hand.
Pays insured $2,500.00 for loss of either foot.
Pays insured $25.00 weekly indemnity.
Pays insured $100.00 to defray cost of reaching care of friends.
Pays for starting stalled car.
Pays for towing stalled car.
Pays for changing of tires.
Pays for delivery of gas to stalled car.
Pays for delivery of battery to stalled car.
Pays telephone charges to nearest garage.
Pays public bus fare to nearest garage.
Gives maps and touring information.
Gives hotel and campsite information.
Gives auto shipping information.
Gives routing anywhere.
Gives legal advice on ownership of car.
Gives legal advice on operation of car.

MICHIGAN LIABILITY MUTUAL COMPANY

Resources More Than $3,000,000.00

President

Dividends More Than $2,500,000.00

Emergency Road Service
Day or Night
Cadillac 9767

Home Offices, Detroit
1200 General Necessities Bldg.
Telephone Cadillac 9761

Branch Offices
Grand Rapids, Lansing, Saginaw, Port Huron, Flint, Kalamazoo, Pontiac, Jackson, Munising.

Mutual Hospital, Detroit
2730 East Jefferson Ave.
Telephone Edgewood 4240

Workman's Compensation, Automobile, Group Health and Accident and other Casualty Lines

Another Prosperous Year has closed

Careful Selection and Rigid Inspection have again proven their value

The "MILL MUTUALS"

Western Millers Mutual Fire Insurance Co.	Kansas City, Mo.
Ohio Millers Mutual Insurance Co.	Van Wert, Ohio
Michigan Millers Mutual Fire Insurance Co.	Lansing, Mich.
Mill Owners Mutual Fire Insurance Co.	Des Moines, Iowa
Millers Mutual Fire Insurance Co.	Harrisburg, Pa.
Millers Mutual Fire Insurance Co.	Fort Worth, Texas
Pennsylvania Millers Mutual Fire Ins. Co.	Wilkes-Barre, Pa.
Millers Mutual Fire Insurance Association	Alton, Ill.
Grain Dealers National Mutual Fire Ins. Co.	Indianapolis, Ind.
Millers National Insurance Co.	Chicago, Ill.

Mutual Fire Prevention Bureau
230 E. Ohio Street
Chicago, Illinois
(Operated by the Mill Mutuals)

"O. K."

□ □ □

CENTRAL MANUFACTURERS' MUTUAL INSURANCE CO.
OF VAN WERT

INDIANA LUMBERMEN'S MUTUAL INSURANCE COMPANY
OF INDIANAPOLIS

LUMBER MUTUAL FIRE INSURANCE COMPANY
OF BOSTON

LUMBERMEN'S MUTUAL INSURANCE COMPANY
OF MANSFIELD

NORTHWESTERN MUTUAL FIRE ASSOCIATION
OF SEATTLE

PENNSYLVANIA LUMBERMEN'S MUTUAL FIRE INSURANCE CO.
OF PHILADELPHIA

□ □ □

Offices From the Atlantic to the Pacific

Gale & Stone, Boston. Justin Peters, Philadelphia.
Interstate Mutual Insurance Agency Co., Mansfield, Pittsburgh.
Lumbermens & Manufacturers Insurance Agency,
James S. Kemper, Mgr.
Chicago, Milwaukee, Minneapolis, Omaha.
Lumber Insurance Agency, Indianapolis.
The Martin General Agency, Seattle, Denver, San Francisco.

CONTENTS

FEBRUARY, 1928

FRONTISPIECE 4

SELLING MUTUAL POLICIES TO FARMERS
By Charles Henry Mackintosh 5

ECONOMIC FUNCTIONS OF FIRE INSURANCE
By Professor F. E. Wolfe 7

VIRGINIA REPORT SUSTAINS MUTUALS 9

THE BASIS OF PREMIUM RATES
By Ralph H. Blanchard 13

EDITORIAL 16

LIFE LIGHTS AGAINST A BUSINESS BACKGROUND. By S. J. Duncan-Clark 17

ENGINEERING INSURANCE
By C. A. Kulp 18

THE CONFERENCE HABIT
By James H. Collins 20

PROPERTY AND CASUALTY INSURANCE
By Avard L. Bishop 21

THE RAINFALL HAZARD
By Colonel John P. Finley 23

HAROLD P. JANISCH - - - - Editor and Bus. Mgr.
S. J. DUNCAN-CLARK - - - - Contributing Editor

Copyright 1928 by American Mutual Alliance, Chicago, Illinois

Editorial and Advertising Offices:
180 N. Michigan Ave., Chicago, Ill.

Terms of Subscription: 25 cents per copy; $2.50 per year in the United States; $3.00 per year in Canada; $4.00 in other countries.

A Hundred Thousand Gallons of Oil Burning

Photo By Underwood and Underwood.

Photo By P. & A.

There Is No Finer Picture of Power in Action Than a Farmer at His Spring Plowing

Selling Mutual Policies to Farmers

First of a Series of Articles on Salesmanship, Especially for Those Engaged in Writing Farmers' Mutual Insurance

By CHARLES HENRY MACKINTOSH

Author of "How To Make Them Think," "Living Language for Letters," "Letters To Land Live Leads," "Locating Leads Without Letters," "Closing Prospects By Mail," and "Your Name Goes on This Line," all of which have appeared in previous numbers of the Journal of American Insurance, for which they and this new series were exclusively prepared.

ARTICLE I

The Golden Pass Key

IT ought not to be hard to convince farmers of the value to them of mutual insurance but it *is,* just the same. It takes *Salesmanship.* Nothing ever sells itself nowadays, not even a necessity like insurance. Every property-owner *knows* that he ought to carry insurance, when he stops to *think* about it; but the trouble is either that he doesn't stop to think about it, or that he doesn't think hard enough and far enough to *do* something about it.

About a quarter of a century ago, one of the great States in our American federation decided that it would provide life-insurance, practically at cost and with absolute security back of it, to all of its citizens. The Legislature passed the necessary enabling Act and provided the funds, and a manager was appointed and provided with desk-space in the Capitol building.

That was just for a beginning, of course. Pretty soon they expected to need a separate building with a big staff of clerks, to carry on the insurance business that would just naturally roll in on them when the citizens learned that now they could buy life insurance from their own State practically at cost!

THAT was twenty-five years ago; but the business is still being handled by one man from his desk-space in the Capitol Building; and he has plenty of spare time to attend to his truck-garden in the summer-time, and to go hunting in the fall.

The expected business simply failed to "roll in." The citizens knew it was possible to buy insurance from the State. They knew it was *safe,* and they knew it was *cheap;* but, somehow, they never got around to buying it.

They never "get around" to buying anything nowadays:—the seller has to get around to *them.* If he doesn't do that, because he believes that the *value* of what he has for sale ought to be *obvious* to any intelligent person, then he isn't going to be overburdened with business, that's all; because there are always plenty of people selling the same thing who *will* get around and really *sell* it. Maybe what they have to sell isn't as *good* as what the other fellow has, but the people *buy* it just the same, because he *brings* it to them, and *tells* them all about all of its good points.

It's necessary to *tell* in order to *sell today.* Emerson's essay on the idea that a man who makes a *better* mousetrap can live in a forest and have buyers beat a path to his door, may have been sound a century ago, in some small New England village, so long as the mouse-trap maker's

forest wasn't more than an hour's brisk walk from home, but it misfits modern conditions about as badly as hand-dipped candles would meet modern lighting demands.

The only thing that people *buy* today is what they *want* . . . and that doesn't necessarily mean what they *need,* mark you. It means what someone or something has forced them to want so hard that they simply can't rest easy any longer without it.

True, it isn't *always* a salesman who creates that state of mind. In the case of fire-insurance, it may be created by a disastrous fire on one's own farm or in the near neighborhood. A farmer *needs* fire insurance much more *before* he has a fire than after the fire has burned up part of his property, but he doesn't *want* it so much. It's just another example of the old saying about "locking the stable door after the horse is stolen."

People are like that. They don't *want* what they *need* until the need has been burned into their brains either by the fiery eloquence of some salesman, or by the force of FACTS.

WE are all that way; farmers are no exceptions. Indeed, the farmer is likely to be quite a bit more sensible about such matters than the city-dweller, because he isn't usually exposed to the same constant pressure of temptation to want and to buy what he really doesn't need, and so he has more money left to buy what he really does need . . . when someone or something makes him *want* to do so. The townsman can't step outside his own office door without exposing himself to salesmanship in the form of store window displays. Even if he stays inside his office, someone is certain to break in pretty soon with a set of books or a new office machine. Life is just one temptation after another to a townsman; and he either gets to be pretty good at resisting temptation or he goes and stays broke.

The farmer isn't so badly off, although he has plenty of temptation, too. Town isn't far from any farm in this age of autos; and then the rural free delivery brings plenty of temptation to buy all sorts of things right into the farm-home.

It may be thought that new cream-separators or suites of parlor furniture are *not* in competition with insurance, but isn't that rather a short-sighted viewpoint? The farm-family has only so much money to spend after all, and if the money goes for one thing it can't go for another. Maybe the farmer *needs* fire insurance, or wind, lightning, and hail insurance, much more than he needs a lot of things in the mail-order catalog or in the door-to-door salesman's sample case; but the cold hard FACT is that he always *buys* what he *wants,* and whoever can make him want a nickel-plated do-funny *more* than he wants fire insurance, will collect the cash that could have paid the first premium on the policy!

There's really only *one* answer to this problem of selling mutual insurance to farmers, and that answer is to *sell* it to them.

Now, selling is simple, even if it isn't easy. It isn't easy, because it requires a lot of *thinking,* and thinking is hard work; but it *is* simple, because, after all, human brains are all made of the same material, in much the same way, and whatever will start our brain to thinking hard along a given line, is pretty certain to start *other* brains to thinking along the *same* line.

THERE'S only one "self-starter" attached to the average brain; and the name of that self-starter is SELF-INTEREST. However, don't let's run away with the idea that human-beings are monsters of selfishness merely because it happens to be true that self-interest is so powerful a motive in their minds. A human-being *has* to look out for himself if he is to be *able* to do anything for others, yet almost everything he does is done for others. The farmer doesn't raise much for himself. He raises it for the market . . . which is the same as saying that he raises it for *others.* Of course he gets paid for what he raises for others, but most of that money goes into things that enable him to keep on raising more for others; into food, clothing and shelter, to keep him in physical condition to carry on his work; into farm tools to enable him to do his work better and to do more of it; into wages for helpers; into *protection* . . . if he is a forward-looking farmer . . . against all kinds of natural and inevitable risks which might cripple him or his capital and prevent him from producing so many things for others in the future.

(Continued on page 26)

Photo By P. & A.

A Good Insurance Man Knows How To Lend a Hand in the Field When Dealing With Farmers During Harvest Time.

Economic Functions of Fire Insurance

Foundations On Which Modern Commerce Rests Made Possible By the Security Which Underwriting Affords

By F. E. WOLFE

Professor of Insurance, Department of Economics, University of Illinois.

DURING the two and one-half centuries of its growth fire insurance has become an essential social institution taking rank with the railroad and the bank as a functioning part of the modern economic structure. Its services to individuals, partnerships and corporations are realized by means of written contracts, or policies. The word "policy" is traced through the Italian "polizza" back to a Latin and Greek derivation, meaning a showing forth, a receipt, or a proof. Hence a policy is a certificate of insurance, or the agreement by which an insurance is made. In the legal sense it is a contract of indemnity between the insurer and the insured, whereby for a certain consideration or premium, the insurer agrees to pay a sum, in the event of fire or other defined casualty, equivalent to the actual loss sustained by the insured, and in no case exceeding the sum stipulated in the agreement.

Insurance Is the Opposite of Gambling

INSURANCE in its outer form has often been compared to a bet. One pays a small premium under the arrangement, and may receive many times the amount at any time thereafter if a certain event happens. In the beginning of marine insurance the comparison was apt, because the smaller shipowner, who needed to distribute his losses (as could the wealthy merchant) over a number of undertakings, would wager with a wealthy man that the ship would not return. Since the money was advanced to the ship-owner, it served in reality as a loan. If the ship did come back, the owner could afford to pay the bet; if it did not, he won his wager and thus recovered a part of his loss. Subsequently there came about a gradual specialization of risk-taking by the men most able to bear it, the payment was made after, and not before, the loss of the ship, the loan element disappeared, and the contract became one of insurance.

The similarity of insurance and gambling is even at the present time still suggested by the operations of the Lloyd's type of speculative underwriting which insures new risks where no statistics are available from which to calculate the expected loss, or where no wide distribution of risk can be obtained. Easter parade hats

Such Disasters As This Would Too Often Develop Into Bankruptcy Except for Insurance.

and bonnets, the throats of opera stars, the fingers of pianists, the safe transit of baby elephants across the ocean, and the non-return of the Kaiser to the Prussian throne may be cited as risks which are now insured and which, because of their speculative character afford some basis for confusing insurance and gambling. In assuming this type of risk a large group of private insurers secure as large a distribution of a single risk as is possible among themselves, and accept only contracts for small amounts.

Insurance is essentially the exact opposite of gambling in its object and effects. Gambling creates a hazard for the pleasure or profit of an individual, and the newly created uncertainty attaches to both, while the purpose of insurance is to reduce or offset the burden of an already existing risk. The chance-taking in gambling serves no useful purpose outside itself, but merely shifts the ownership of existing wealth. Insuring brings aggregate certainty in place of individual uncertainty, indemnifies individual loss, steadies production, and conserves the wealth of society. Gambling tends to disqualify one for sustained economic activity in other lines, diverts energy from productive enterprise, and reduces the number of competent workers. Its anti-social character is in direct contrast to the socially beneficent results of insurance whether in obviating dependency of widows and children, in compensating workers for industrial accidents, or in securing the property values of commerce, credit, and industry.

Business Uses of Fire Insurance.

BUSINESS men who must continuously confront the risk of loss of economic values by fire insure against it. The transfer of this risk through insurance to specialized risk-bearing companies or groups operates advantageously to business in numerous ways. It relieves individuals and corporations of the burden of threatening loss. This burden is due to uncertainty as well as to the destructive occurrence itself. The combination of many separate risks by the underwriting organization replaces individual uncertainty with aggregate certainty as to the average amount of losses. Each person assured of indemnification for actual loss gains a sense of security which contributes to efficiency in management. Business obtains through insurance, the intangible values of certainty, confidence, and steadiness.

The relief from uncertainty, which insurance brings, in turn, makes pos-

sible a decrease in operating costs. Risk enters as a determinant of objective cost to the individual producer. Insurance removes the greater part of this item of cost. The rate of premium is a relatively small charge as compared to the cost of setting up adequate reserves for individual self-protection. The gain from insuring is that the individual cost of risk-bearing is reduced. Only the largest corporations with hundreds of scattered units of property subject to fire risk find it feasible to insure themselves. Hence self-insurance is rare, and most business firms obtain insurance at lower cost by transferring the risk to underwriting specialists. The insurance system thus helps small producers to keep going, where otherwise they would be more easily forced out of business.

Insurance is a necessary support for many forms of individual credit in trade and industry, and thus increases the volume of sales and manufactured goods. Houses, for the construction of which money is advanced by mortgage, must be insured. Retailers are able to purchase on credit stocks of merchandise from wholesalers only on condition that payment has been made certain by insurance against destruction by fire. Insurance facilitates the continuous movement of farm and factory products, whether in the export, import, or inland trade. The actual transfer of gold from one country to another for settling debts is cumbersome and costly, hence in practically all cases of foreign trade the transactions are based on credit. The foreign exchange banker who advances cash in settlement of these interregional shipments invariably requires a fire and marine insurance contract as a guarantee. Insurance of the cargoes against fire or marine loss makes payment as certain as if actually made in cash.

Social Uses of Fire Insurance.

FIRE underwriting organizations perform valuable services to society as well as to business. A question arises as to wherein lies the real value of insurance, if it does not stop destruction of property, and if its cost is an actual social outlay. It is sometimes said that from insurance "the individual gains an advantage by securing greater certainty and regularity in his individual income, even though the average income of the individual is not increased at all, in fact is decreased, by the cost of conducting the insurance companies." Is it true that socially insurance must be charged with decreasing the wealth of the community to the extent represented by the cost of conducting the system? Appraisal of the direct and indirect social gains from insurance indicates that this cost is many times counterbalanced. Its social services may be summarized.

(1) Since insurance reduces the cost of risk-bearing to the individual, it likewise benefits all consumers through lowered costs of producing commodities. The cost of risk, if borne individually, reflects itself in higher interest rates, rents and overhead charges. Insurance lowers these items through the economy of combining risks, and thus benefits consumers as a class.

FIRST ANNUAL
UNDERWRITERS
CONFERENCE
FEDERATION
of
MUTUAL
FIRE
INSURANCE
COMPANIES
March 26-27, 1928
HOTEL CLEVELAND
CLEVELAND, OHIO

(2) The combination of risk in an underwriting group releases funds from an otherwise necessary reserve against disaster, permits their productive employment in the particular business, and thus stimulates enterprise. While funds diverted into a reserve may be economically invested, they are not available for ready use.

(3) The reserve and surplus of insurance organizations must be carefully invested. These funds serve, therefore, as reservoirs of capital. Their accumulation and wise placement facilitates the flow of capital into lines needing it, and contribute to the economic development of the country.

(4) The transfer of risks to risk-bearing organizations brings the gains of specialization. It is economically advantageous for risks to be analyzed, rated, and assumed by those skilled in the work. The modern system of underwriting therefore reduces the social costs of risk-bearing.

(5) Immediate and certain indemnity for fire loss through the device of insurance shortens the length of business interruptions, and guarantees the continuity and permanence of the economic life of a community. Retail firms have been enabled through the protection of insurance to resume operations within twenty-four hours after a disastrous fire.

(6) Insurance against property losses in internal and external trade stabilizes the credit structure of society. It absorbs the shocks due to risk. Industry is now organized on a complex socially dependent basis, and it is estimated that from 85 to 95 per cent of all business transactions are conducted on credit. Insurance is a necessary accompaniment for many important types of credit transaction. It "gets rid of the shock by absorbing it into the mass of society in the same way that tires and springs pass the shock on to be absorbed by the inertia of the car." It thus facilitates the smooth working of modern credit machinery, strengthens confidence, and serves as a factor in social stability.

(7) Fire underwriting operates directly as a constructive social force in preventing loss and in contributing to a more efficient and steady production of wealth. The value of its service has been heretofore unduly minimized by those who consider it a mere indemnifying device doing nothing to eliminate the destructive occurrence. Originally a means for the distribution of losses, it has acquired for reasons of sound business policy and of community obligation the complementary function of conservation or prevention. Practical as well as theoretical considerations give point to the objective of social gain from the elemination of loss. A high or a rising loss-ratio under competitive conditions tends to reduce the volume of fire risks underwritten as well as to undermine the reliability of underwriting. Prevention must, therefore, be recognized as a positive essential of sound insurance in any field. Thus life insurance companies give annual physical examinations, educate their insured as to personal health, and support biological research in the interest of longevity.

(Continued on page 27)

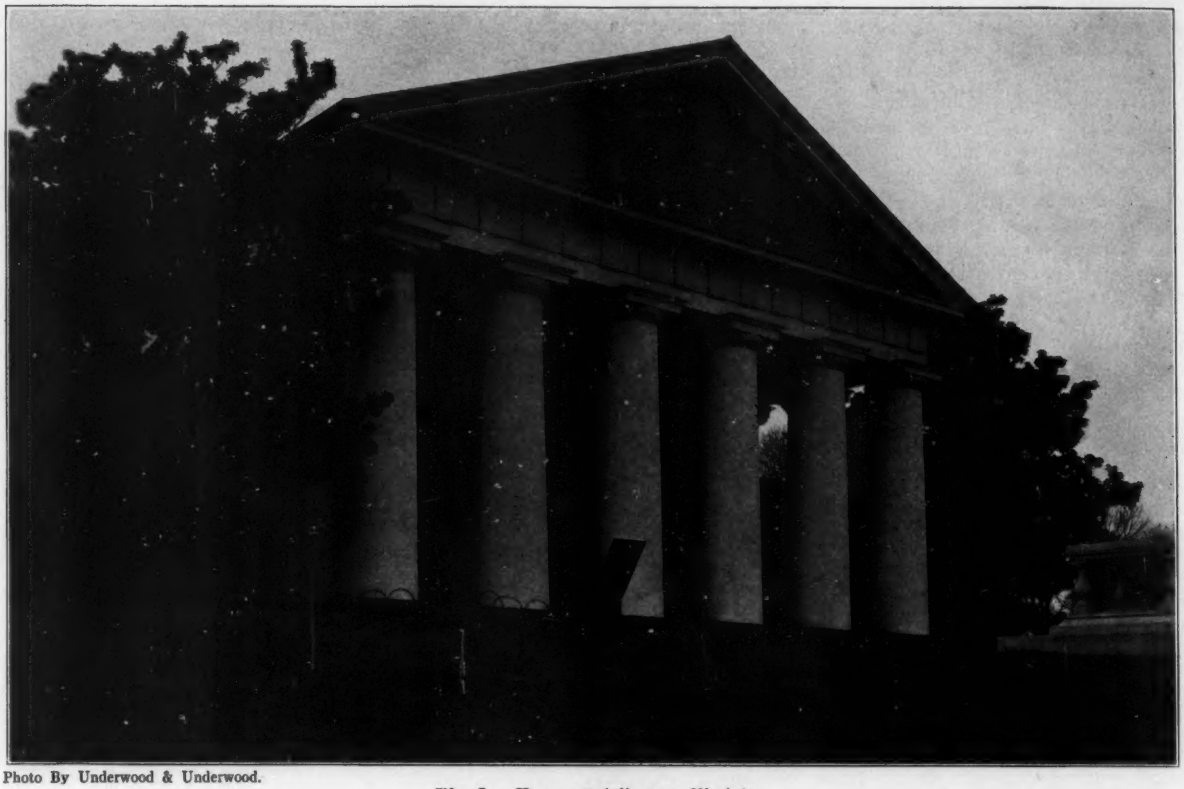


Photo By Underwood & Underwood.

The Lee Home at Arlington, Virginia

Virginia Report Sustains Mutuals

Rating Situation in Southern State Gets Thorough Airing At Hands of Investigating Committee

VIRGINIA recently has been the scene of some remarkable developments looking toward the clarification of the more or less murky atmosphere which has surrounded the insurance business in that state.

Partly due to the fight waged in the last legislature to correct certain discriminations, and partly as the result of growing dissatisfaction over the insurance rates fixed by the stock companies, a bill was passed providing for the investigation of all aspects of Virginia's insurance problem.

To study this situation a committee was appointed in 1926 to make a survey of insurance conditions in general in Virginia. The Governor placed on this body five distinguished citizens of the state—J. A. C. Chandler, President of William and Mary's College, as Chairman, Walter C. Cottrell, a prominent business man of Richmond, as secretary and Robert R. Parker, Braden Vandeventer and O. E. Jordan as members. Judge Parker is a lawyer of high standing, formerly on the bench and now a member of the legislature. Mr. Vanderventer is a leading lawyer of the Virginia bar, living in Norfolk and O. E. Jordan has substantial business interests in Dublin.

Although with an appropriation of only $2,000, this committee has just completed its report, after sixteen months of herculean labor, which because of meagre facilities was wisely confined to fire insurance only. The result has been an amazing revealment of conditions, brought to light by an impartial examination of all classes of fire insurance carriers.

IN its address to the General Assembly, the committee report sets forth that the problems it has considered are to be discussed in the following order:

"1. The organization of the business as at present constituted and the existing Virginia statutes.

2. The question of the reasonableness of rates in Virginia.

3. Discrimination.

4. Other incidental matters.

5. Bureau of insurance.

6. Recommendations."

Under the first topic these definitions are given of stock and mutual companies:

"Stock Companies.—The stock company plan, of course, is familiar to all. These companies are organized purely on a commercial basis, for profit. They usually charge a flat rate and make no return of excess earnings to policyholders, such as the life insurance companies do. Of these there are four domestic companies, one hundred and twenty-six companies of other States, and twenty-eight United States branches of companies of foreign countries at present licensed to do business in Virginia.

"The Mutual Companies.—The mutuals, as their name implies, as a rule, are avowedly not organized for profit, but only for the protection of their members on the mutual plan. Of these there are four domestic, and eighteen companies of other States at present licensed to do business in Virginia."

TO understand the situation clearly it may be necessary to remind readers that in 1920 a law was enacted which put the making of rates into the hands of the Virginia Inspection and Rating Bureau, membership in which was afforded any

company which could meet certain reasonable qualifications. Almost immediately after a ruling was made which disbarred from membership all companies which paid dividends to policyholders.

The present report goes far to uphold the contention of the Mutuals that this ruling was clearly contrary to the intent of the legislature.

After advocating that the states should preserve ultimate control over rate making, and tracing the stock company connections with the powerful and arbitrary Southeastern Underwriters Association, the report says of the Virginia Inspection and Rating Bureau:

"Nearly all of the stock fire insurance companies are members of the Virginia Rating and Inspection Bureau, though the mutuals and reciprocal companies are not permitted to membership as will be hereinafter mentioned. This brings us to a discussion of this bureau.

"As at present constituted it is claimed to be owned by the stock fire insurance companies who are members thereof. It is operated exclusively for their benefit in advising fire insurance rating schedules on certain classes of risks, promulgating fire insurance rates by the application of rating schedules, establishing underwriting forms, rules, regulations, and in the inspection of all business written by its members. It grades and classifies for fire defenses and physical conditions such smaller towns as are not supervised by the National Board of Fire Underwriters. It also acts as a "stamping office" for its members and other various agencies in the State; that is to say, every agent must report to this office the policies written by him to his customers. This is in the interest of uniformity. As hereinafter mentioned, however, this organization is entirely subservient to the dictates of the Southeastern Underwriters Association."

IN commenting on "the Rating Bureau's relation to the Public," attention is called to the fact that a base rate is often but a small proportion of the whole. By the application of a system of "penalties" supervised by the Southeastern Underwriters Association the ultimate rate is frequently three times the base figure.

Directly referring to the Mutuals and Reciprocals, the report says:

"The Mutuals and the Reciprocals—In addition to the mutuals already mentioned as licensed to do business in this State, we understand there are numerous county or farm mutuals serving the different sections.

"Due to their peculiar nature, these mutuals and reciprocals are able to do business at a much lesser expense than are the stock companies. For example, the Mutual Assurance Society of Virginia (Old Mutual) has very reasonable expenses, though it pays its agent a very fair per cent for writing the business. At all events, it is not denied that the mutuals and the reciprocals are able to, and do, in fact, write insurance in Virginia of a satisfactory nature at a very much cheaper ultimate rate than that charged by the stock companies. Moreover, neither the Insurance Commissioner of Virginia nor the stock company representatives have been able to point out to the commission any serious losses in the last ten years sustained by any policyholder of any mutual in the State because of the insolvency of the company, nor has the commission been shown where the policyholder has been made liable in the case of conflagration for any excessive calls for additional premiums."

GETTING down to the meat of the situation the Commission gives the following explanation of the barring of Mutuals from the Bureau as before referred to.

"With respect to the relation of the Mutuals to the stock companies of Virginia, and particularly with respect to the Mutuals' relation to the Virginia Inspection and Rating Bureau, a peculiar situation exists.

"In chapter 163, Acts of 1920, section 2 thereof provides:

> 'A rating bureau may consist of one or more insurers, and one consisting of two or more insurers shall admit to membership any authorized insurer applying therefor and agreeing to abide by its rules and regulations.'

"Before this act was passed, no bureau had legal recognition in Virginia. It will seem the statute apparently made it mandatory that a bureau consisting of more than one insurer should 'admit to membership any authorized insurer applying therefor.' This was broad enough to permit the mutuals membership in the bureau. However, in the interest of the stock insurance companies the Virginia Inspection and Rating Bureau, after the passage of the act of 1920, made ineligible to membership any company which returned a part of the premium by way of dividend, or otherwise, etc., to its policyholders. This at one fell swoop precluded the mutuals from membership in the bureau, though as a matter of courtesy it furnishes, as we understand, without charge to the Mutual Assurance Society of Virginia, all information that it desires. It seems to us that a proper construction of the statute would have the effect of admitting mutuals, even though the bureau had passed such a resolution, and that it was not intended that the bureau by its rules and regulations could set up a different class of membership or limit the membership otherwise than as expressed in the statute itself. It would appear that, when the modifying clause 'and agreeing to abide by its rules and regulations' was added, this clause could only have meant such rules and regulations as were administrative in their nature—in other words, rules as to expenses, officers, inspection, etc. The real intention of the legislature should be made clear. The ruling of the commissioner was that it was intended that mutuals should not be admitted.

"As far as our investigation goes twenty-two States have rating laws, and all admit mutuals except Virginia to membership in the rating bureau. Twelve of these States absolutely control the rates, while ten give to the constituent insurance authority of the State power to revise the rates for cause."

AS to the puzzling matter of "variation," whereby an insurer may file application to lower a rate, this provision which was intended to promote healthy competition, has been made of no effect by an agreement among the stock companies not to compete. The report says:

"Unfortunately, the provision has not brought about this result for the reason that the stock fire insurance companies admit that no member of the Virginia Rating and Inspection Bureau will take the initiative of filing such a 'variation' or application for reduction on a particular class of risk, because there is a tacit understanding to the contrary,—in other words, there is a tacit understanding restraining the one hundred and twenty-six stock companies from thus competing with each other.

"The only influence therefore in the State tending to hold a rate down on any given class is: first, the fear of the stock companies that a rate may become so attractive as to invite new stock companies in the State in competition with them, and secondly, the fear of the mutuals ever standing ready to compete with any subject of insurance offering an unusually attractive rate.

"It would seem very difficult as a practical matter to force the stock companies into competition in the respect mentioned under section 8, as to which they now have a tacit agreement precluding such competition. Apparently then, the only method left open in which to insure competition is to invoke the aid of the mutuals. There is no competition as to rates, the only competition being between companies; therefore, since competition in rates has been eliminated as to stock companies, it is essential to have full State control. If the rate situation in Virginia was in any sense competitive there would be no necessity for dealing with this question."

THE Commission's respects are paid to the agency system in which are said to be frequently incompetent and scheming men, and vigorous protest is made against the discrimination in rating made possible by arbitrarily dividing the state into five divisions.

Page after page of the report is devoted to a consideration of the "underwriting profit or loss," going into the startling system of bookkeeping whereby black is made to look red and prosperous companies are held out as greatly in need of aid. Quoting from this section we see that

"The Underwriting Profit Provision.—The law as it now stands says that the Insurance Commissioner has no power to order a reduction in rates unless it appears that the companies have earned an 'underwriting profit' in excess of a reasonable

amount. This 'underwriting profit' it will be shown does not represent real profit, but a fictitious result. The State is playing wholly into the hands of the insurance companies when it permits them to earn what is technically termed a reasonable 'underwriting profit.' A substantial percentage of 'underwriting profit' on earned premiums as so figured represents an enormous profit on the capital stock. In effect, then, the present provision of the statute has said that the insurance companies must make an enormous profit before the Insurance Commissioner may order a reduction in rates. Hence the statute should be changed to the effect that when the rates on any classifications are yielding an actual profit in excess of a reasonable amount, the rates shall be lowered, and vice versa, when the rates on any classifications are yielding an actual loss, the rates shall be raised, considering always that part of the assets of the company used or usable in the Virginia business.

"It should be further affirmatively provided that in arriving at what is an actual profit, the constituent authority should consider not only the earned premiums, but forty percent of the increase each year of the unearned premiums, for if any company wished to liquidate it could pay for reinsurance with about sixty percent of the unearned premiums. Also, credit should be given to the operating account of four percent interest on the unearned premium reserve. In calculating losses and other deductions, all actually paid losses and paid expenses should be considered. Not more than one-half of the pro rata home office expense should be charged to operating expenses, for at least half of the home office expense is incurred in caring for the investment account and general business that does not relate immediately to the premiums being collected on the policies being written in the State.

1. Method of Calculating Profit and Loss Used by Insurance Companies.

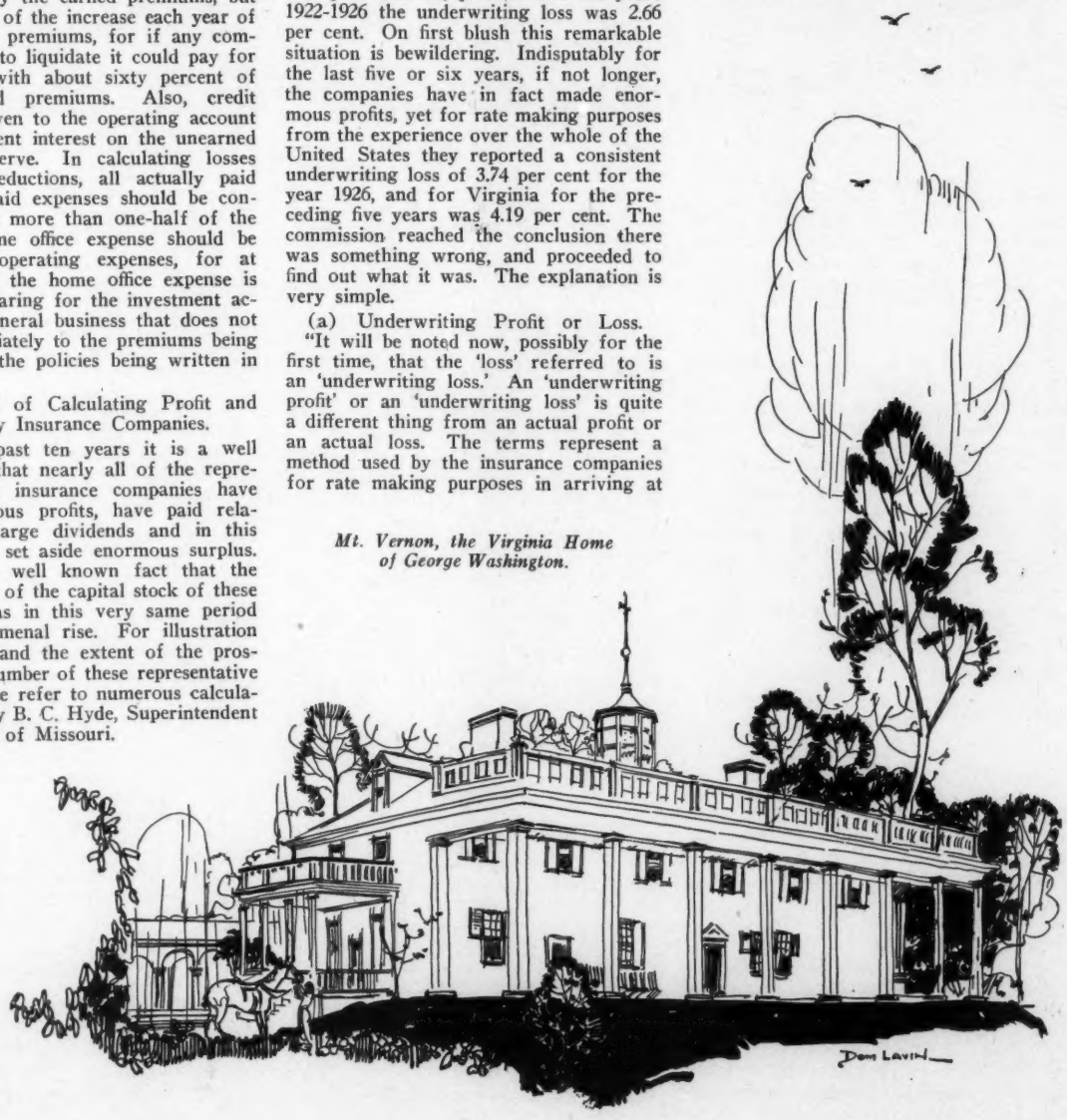
"For the past ten years it is a well known fact that nearly all of the representative fire insurance companies have made enormous profits, have paid relatively very large dividends and in this interim have set aside enormous surplus. It is also a well known fact that the market value of the capital stock of these companies has in this very same period had a phenomenal rise. For illustration of this fact and the extent of the prosperity of a number of these representative companies, we refer to numerous calculations made by B. C. Hyde, Superintendent of Insurance of Missouri.

"Within the last two years this experience has been greatly accentuated due to the extraordinary rise in the liquid securities in which the insurance companies have a large proportion of their money invested. Take the year 1926 as an example; admittedly the companies have been enormously prosperous during this year, yet if you will ask an insurance man the financial result he will tell you the companies have sustained a small 'underwriting loss.' Indeed, in an address made by Wilfred Kurth, president of the National Board of Fire Underwriters, delivered to that organization under date of May 26, 1927, he states that in the year 1926 the two hundred and ten member companies sustained a net underwriting deficit of 3.74 per cent. He says the best that can be said of these figures is that they are not quite so disheartening as those of the two preceding years for the reason the companies sustained a deficit of 6.38 per cent of underwriting loss in 1925, and in 1924, 6.89 per cent. Coming down to Virginia, it appears for the period of 1921-1925, inclusive, the companies sustained an average 'underwriting loss' of 4.19 per cent plus (see R., p. 28). For the years 1922-1926 the underwriting loss was 2.66 per cent. On first blush this remarkable situation is bewildering. Indisputably for the last five or six years, if not longer, the companies have in fact made enormous profits, yet for rate making purposes from the experience over the whole of the United States they reported a consistent underwriting loss of 3.74 per cent for the year 1926, and for Virginia for the preceding five years was 4.19 per cent. The commission reached the conclusion there was something wrong, and proceeded to find out what it was. The explanation is very simple.

(a) Underwriting Profit or Loss.

"It will be noted now, possibly for the first time, that the 'loss' referred to is an 'underwriting loss.' An 'underwriting profit' or an 'underwriting loss' is quite a different thing from an actual profit or an actual loss. The terms represent a method used by the insurance companies for rate making purposes in arriving at profit or loss. So far as we can learn they are not used for any other purpose. In short, this method of underwriting profit or loss does not include all the income or profit received by the companies. The companies state 'underwriting profit or loss' is arrived at by deducting from the earned premium all incurred losses and incurred expenses, and that no part of the so-called banking profit or loss should be considered in arriving at the 'underwriting profit or loss.' For rate making purposes they divide their insurance business up into two parts. The first is what is termed the 'underwriting portion' of the business, or what would ordinarily be considered the operating end of the business and the other is what they term the 'banking or investment' end of the business.

"In arriving at their profit or loss the experience of the latter business is excluded entirely. Not only is this so, but the operating, or what is termed the underwriting end of the business is only credited with the premiums actually earned. The latent profit in the unearned premium reserve hereinafter explained is



Mt. Vernon, the Virginia Home of George Washington.

One of the Most Noted Spots in any Nation.

not credited to the underwriting account nor is the interest on the unearned premium reserve. On the other hand, more losses are deducted from this underwriting account than are actually sustained in that the 'paid' losses nearly always run substantially less than what are known as the 'incurred losses.' Again, not only are the expenses of the 'underwriting' part of the business charged to it, but practically all of the expenses of the banking end of the business also, including all the national overhead or home office expense. There is thus not only taken from the so-called underwriting account a large part of the income to which it is legitimately entitled, but insult is added to injury by loading it with an enormous expense with which it should not be charged. The carcass that is left is flung out to the inspection of a bewildered public to illustrate what a poor and unprofitable thing is the fire insurance business. The terms used in defining what is this extraordinary 'underwriting' profit or loss formula needs some explanation."

AS a comment on stock insurance profits the following example cited is interesting:

"Dr. Chandler said (naming a certain insurance company in Virginia): Its original stock was $250,000 and they declared a stock dividend of one hundred per cent a few years ago and now they are declaring twelve per cent on $500,000 or twenty-four per cent on the original capitalization for one year and they carried $11,000 in addition thereto to their surplus. In view of the underwriting loss of one and one-half per cent (which they show in their report), should they have an increase of rates? To which this reply was made: * * *

"I think so. That surplus out of which they declared a stock dividend, has probably been fifty years in its accumulation and a great deal of that has come from rise in securities and a slump in the market would carry a great deal away.

"To ascertain whether this surmise was correct as to the length of time the surplus of this company had been accumulating, and how, we give below brief summary of its experience from period 1903-1919:

1903 Capital	$250,000.	Surplus....	$ 198,000
1919 Capital	250,000.	Surplus....	1,125,761
Increase in surplus in sixteen years			$ 927,606
Paid in cash dividends in the sixteen years			530,000
Total earnings during the period			$1,457,606

"Note: Cash dividends exceed by $80,000 combined capital and surplus at the beginning of the period.

"Total earnings during the sixteen year period were more than three times the combined capital and surplus at the beginning of the period.

"So we see that the surplus out of which they declared the following year of 1920, one hundred per cent stock dividend, was not fifty years accumulating, but that in the period of sixteen years they accumulated sufficient to declare this dividend and still had left in surplus more than double their combined capital and surplus, at the beginning of the period.

"In 1920, after paying twenty-two per cent cash dividend, they declared one hundred per cent stock dividend, thereby increasing capital to $500,000 out of this surplus, still leaving a surplus of $920,674. During period 1921-1926 which includes the five year experience upon which commissioner says they were entitled to an increase of rates, they paid in cash dividends annually an average of eleven per cent on this doubled capital. In addition to that they passed to surplus $365,000, making total profits during period of $705,000, or approximately fifty per cent on their combined capital and surplus of $1,420,000, and that, too, during the so-called bad period of which the companies complain so bitterly and assign as a reason for increasing rates in 1926 that they were losing money.

"Now, if we consider the first period of 1903-1919, it does seem to us that if the 'contingency' would ever arise of companies making such excessive profit as would justify the Commissioner of Insurance to order a reduction of rates, this was the occasion."

AT the end of the report a comprehensive summary is made of the findings of the Commission.

"We find:

"1. That the fire insurance companies are making large profits and are declaring large dividends.

"2. That their method of estimating operating profit or loss, called by them 'underwriting profit and loss,' for rate making purposes is fallacious.

"3. That if the proper basis for estimating operating profit or loss were used, it would be shown that the insurance companies are making more than a reasonable profit.

"4. That in 1926 the insurance companies were allowed an increase in rates which will cost the policyholders of Virginia over a million dollars a year, which increase makes their operating profit still more unreasonable. That these increases should not have been granted in many cases and should be removed as quickly as possible.

"5. That the Bureau of Insurance has not kept the files of all the insurance rates in Virginia, thus making it difficult for the public to secure information. As a matter of fact, the bureau has kept no file at all of the final rates, and only a partial record of changes in the 'base' rates.

"6. That the State of Virginia in fire insurance rates is at the mercy of the Southeastern Underwriters Association located at Atlanta.

"7. That the Virginia Inspection and Rating Bureau is under the control of the Southeastern Underwriters Association and has no authority other than to apply the schedule rates. That neither the Southeastern Underwriters Association nor the Virginia Inspection and Rating Bureau has ever filed with the Bureau of Insurance the final and ultimate rates prevailing in Virginia.

"8. That the rates prevailing in the territory controlled by the Southeastern Underwriters Association are high as compared with the average in the United States.

"9. That the average rate of premium paid in Virginia is $1.12; the average in the United States ninety-three cents.

"10. That the burning ratio in Virginia is forty-nine per cent and the average for the United States is 52.8 per cent.

"11. That there are five territorial divisions in Virginia and therefore five different sets of schedules, Virginia being the only State controlled by the Southeastern Underwriters Association that is not scheduled as a unit, though Virginia is treated as a unit on the books of the companies that are members of the Southeastern Underwriters Association.

"12. That on many property classifications there is great discrimination against the citizens of Virginia in favor of the citizens of other States.

"13. That in addition to discrimination as to rates, the citizens of Virginia are discriminated against compared with the citizens of many other States in reference to the three-fourths value clause and the coinsurance clause, one or the other being attached to the great bulk of policies written in Virginia.

"14. That there is tremendous discriminations between certain sections or 'zones' of the State, and these discriminations cannot be justified by 'experience,' because the experience of the companies is not kept by 'zones.'

"15. That the statutes designed to regulate and control fire insurance in Virginia are vague and indefinite and are totally inadequate to render proper protection to the public or to give the State satisfactory control over the rates.

"16. That the Commissioner of Insurance, because of these statutes, has hesitated in many cases to act in the interest of the public, for fear that his rulings might be overruled on appeal.

"17. That there is no competition in insurance rates in this State among stock companies and that all the competition that prevails is the struggle to get business, practically one-half million dollars a year being spent for field agents working in this struggle to secure business.

"18. That by certain rules adopted by the Virginia Inspection and Rating Bureau, mutual companies are not admitted to the bureau, contrary, as we think, to the intent of the General Assembly of 1920, which enacted the law.

"19. That contrary to the intent of the General Assembly, as we believe, the Southeastern Underwriters Association is constantly changing the schedule rates without having first secured the permission of the Commissioner of Insurance.

"20. That the Commissioner of Insurance for the twenty-one years that he has been in office has carefully guarded the public interest by looking thoroughly into the solvency of all companies doing business in Virginia.

"21. That the Southeastern Underwriters Association and the Virginia Inspection and Rating Bureau have by their thorough system of inspection secured better construction, better wiring, and better protection, thus greatly reducing fire risks in Virginia.

2. RECOMMENDATIONS

"We recommend:

"1. That the General Assembly enact laws looking to a comprehensive and effectual control of the fire insurance business in the State on a basis adequately pro-

(Continued on page 27)

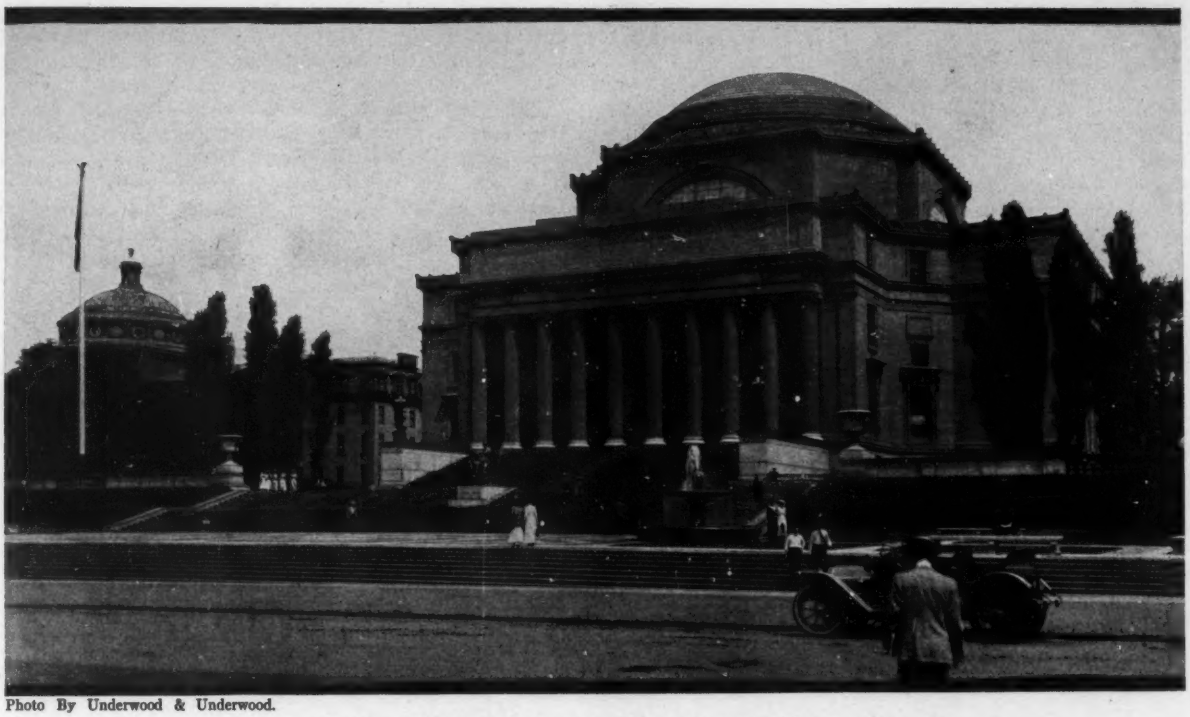


Photo By Underwood & Underwood.

One of the Show Places Among American Universities is the Library at Columbia

The Basis of Premium Rates

Discussion of One of the Most Difficult Problems That Confronts The Insurance Carrier

By RALPH H. BLANCHARD

Professor of Insurance
Columbia University

WHAT is an insurance premium rate? It is a price for a contract promising financial reimbursement for loss incurred and for certain incidental services. It may or may not include an allowance for profit.

Probably the most difficult problem confronting the insurance carrier is that of fixing premium rates. The technical procedure of calculating rates is complicated; the interest of the insuring public, of agents and of supervisory officials centers sooner or later on the price which insurers charge; and the naming of rates has come to have implications of business policy as well.

To proceed intelligently to a consideration of premium rates it must be determined what criteria they should satisfy. There are three general requirements for rates, varying in importance according to the point of view from which one attacks the problem. These requirements are:—rates should be adequate, they should not be excessive, they should measure accurately the relative hazard of the risks to which they apply.

THE first of these criteria is by far the most important. Rates should be pitched at a level sufficiently high to enable insurers to receive an adequate aggregate income, an income large enough to enable them without question to meet all demands for the payment of losses and expenses. The primary purpose of insurance is security, certainty on the part of the insured that losses and expenses to which he may be subject and which are covered by the contract of insurance will be met by the insurer; certainty on the part of the insurance carrier that it will be able to meet its obligations in full. This requirement of security takes precedence over the nice balancing of claims for individual justice in the determination of an insurance price, the desire for cheap insurance, or the competitive urge to get business.

But the satisfaction of the criterion of adequacy should not be held to justify rates clearly excessive nor will competition, in the normal instance, long suffer such rates to continue. It is, of course, from the point of view of the insured that it is particularly important to restrain any tendency to excessiveness, whether that quality be due to unusual profits or to lack of proper economy in management.

From every point of view, that of the insured, of the carrier, and of society it is important that individual rates accurately measure relative hazard. The insured should know that his rate represents a just appraisal of the hazard involved in his property or personal affairs; the carrier that, in adding an obligation to its list, it is receiving an income commensurate with that obligation; society that each type of individual or group is bearing its own losses and expenses on account of insured hazard for, to the extent that a rate is inadequate or excessive, the insured who pay that rate are receiving from, or paying subsidy to, others.

THERE is no uniform basis for the quotation of rates. The units to which the rate applies are various; as $1000 of insurance, in life insurance, $100 of insurance in fire insurance, $100 of annual pay roll in compensation insurance, a motor car in automobile collision insurance, a seat in theatre liability insurance. The total premium may even be the result of two different rates, each applied to a unit as is done in owners', landlords' and tenants' public liability insurance, where the units are a square foot of area and a lineal foot of frontage. The choice of a unit depends on two considerations—"first, that it shall be conveniently ascertainable, and, second, that it shall accurately reflect the scope and degree of the obligation which the insurance carrier undertakes."*

The selection of a practical unit for measuring the *quantity* of hazard involved in an insurance transaction is not a difficult matter. It is the measurement of the *quality* of the hazard which gives rise to problems the solution of which calls for the combined efforts of statisticians, actuaries, underwriters and supervisory officials. The quality of hazard of a given risk depends on the *probability* of payment of losses and expenses on account of that risk. It is this intangible probability that insurance carriers are called upon to measure, and having measured, to make the basis of the price charged for insurance. The insurer is never in the position of the manufacturer who may set a price on the basis of materials already in hand or for which contracts have been made; its price must always be based entirely on estimates. That insurance has become a stable, secure business is evidence of the accuracy with which such estimates have, in the aggregate, been made.

*Michelbacher, G. F., "Miscellaneous Public Liability and Property Damage Liability Insurance in the United States," page 28.

WHEN an insurance rate is quoted it applies ordinarily to a set of circumstances the results of which can, with reasonable precision, be predicted. This is done by applying the theory that what has happened in the past will, under the same circumstances, happen in the future. But this theory, in its practical application, is subject to important qualifications.

The first of these qualifications is that the insurer can conduct its business safely only by basing its operations on a sufficiently large number of cases. The evidence of what has happened in the past must be drawn from experience with a large number of units and the predicted results can be expected only if a large number is insured. The fact that one house out of two insured, burned during a given year is no evidence that half the houses insured during the succeeding year will burn, but the fact that 5,000 out of 1,000,000 insured burned during the first year is reasonable evidence that approximately 1/200 of the houses insured (if it be a very large number) will burn during the second year. The reliability of the indications of large numbers may be illustrated by repeated flipping of a coin. If a coin is flipped ten times it is extremely unlikely that it will show heads five times and tails five times though the probability of each occurring is equal. But if the coin is flipped 1,000 times one may be confident that heads and tails will each appear in close approximation to 500 times.

Another practical qualification is that the circumstances covered by the insurance for which a rate is to be made must be practically the same as those on which the prediction is based, or, if not the same, that allowance be made for changes. For example, experience may show that one in every 200 buildings of a given type burned during a given year in a certain locality. But, at the time insurance is to be written, there may have been a marked improvement in the fire-fighting equipment assigned to this locality. Or, through business changes, manufacturing processes involving increased hazards may have been brought in. In either event allowance would have to be made for such changes in circumstances.

With these principles in mind let us see how insurance carriers actually proceed to the making of rates. In general there are two bases for the determination of rates, statistics and judgment. Probably in no case is either the sole basis for a rate but every conceivable combination of the two is found.

A RATE can be calculated with greatest accuracy when accurate statistics of exposure to loss and of actual losses realized covering a considerable period of time, a large number of cases and definitely known circumstances which may be expected to show little or no change, are available. Perhaps life insurance offers the best example of such a situation. In that business figures may be gathered covering experience with an enormous number of insured lives; a highly developed technique insures statistical accuracy; and conditions affecting the mortality of insured lives change very slowly. But even here judgment enters in considerable measure. The composition of groups of insured is largely the product of the judgment of medical examiners and of underwriters. Grouping for purposes of statistical analysis involves a degree of judgment.

At the other extreme may be placed aircraft insurance. Statistics of losses are almost entirely lacking

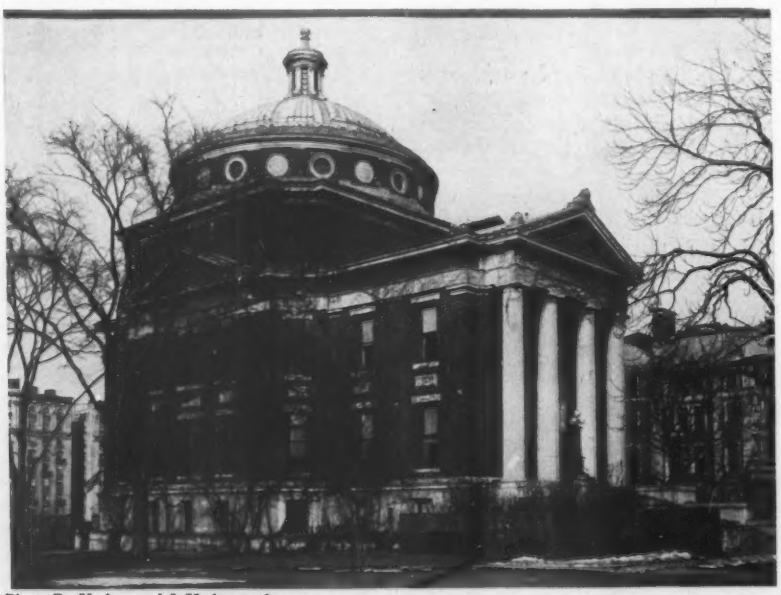


Photo By Underwood & Underwood.

Earl Hall at Columbia University

and conditions of construction and operation are rapidly changing. A rate quoted on any hazard dependent on these conditions is almost entirely a matter of judgment. An insurer quoting such rates must be prepared for adverse results and must charge such results to "buying experience." But even here certain statistics are available; figures showing the relation of accidents to hours flown, figures on such losses as the carriers may have had.

Between these extremes lie other combinations of statistics and judgment. For example, one finds in schedule rating for fire insurance a system of charges and credits which determines in large measure the rate to be charged for a given risk, each charge or credit representing a defect or a good point in the fire hazard of the risk. Each of these items is based on the combined judgment of a group of fire underwriters. But the level of rates for fire insurance, whether for types of risk or for the business as a whole, is determined in large measure by the profit or loss already experienced and made evident by financial statistics.

On occasion a rate for a certain hazard for which no statistical experience is available, may be based on a comparison with hazards which, in the judgment of the rater, are comparable with the new type, and for which experience is available. During one of the revisions of workmen's compensation insurance rates there was established a new class of risks described as "Fertilizer Dry Mixing Plants—excluding the manufacture or handling of acid, bone and rock crushing, and the preparation of tankage." It was decided that the hazards involved in this new class were sufficiently similar to those involved in "Phosphate Works—no mining" to justify the adoption of the same rate.

In what has so far been said the writer has had in mind attempts to arrive at rates measuring the relative hazards of insured risks. Other influences likewise condition insurance rates and these deserve notice. In competition rates may be unduly cut in order to get business, the bargaining power of a given class of insured may have its effect in depressing rates, controversies with state supervisory officials may result in political compromises satisfactory to no one.

BUT the tendency of rating is always toward increasing accuracy of measurement of hazard, a tendency which is being promoted by continued improvement in technique and the accumulation of statistical experience. Judgment will never be eliminated but its role may be steadily decreased. And it may confidently be stated that the most useful weapon of the insurance carrier in meeting unwarranted demands for low rates, whether from the insured, from state officials or in the form of competitive strategy, is definite statistical evidence of insurance losses and expenses for which provision must be made in the rate. Cost accounting has enabled industrial enterprises to meet similar problems; statistical analysis is the cost accounting of insurance.

To say that statistical experience is the most desirable basis for insurance rates does not imply that judgment can be completely eliminated nor does it imply that all insurance rates may be made primarily on the basis of statistics. There are, and probably always will be, branches of insurance which, by reason of novelty, complicated hazards, or rapidly changing conditions, will not readily lend themselves to statistical analysis. It may confidently be stated, however, that the aim of the rate maker should be the elimination of judgment and the substitution of statistical experience as a basis for rates.

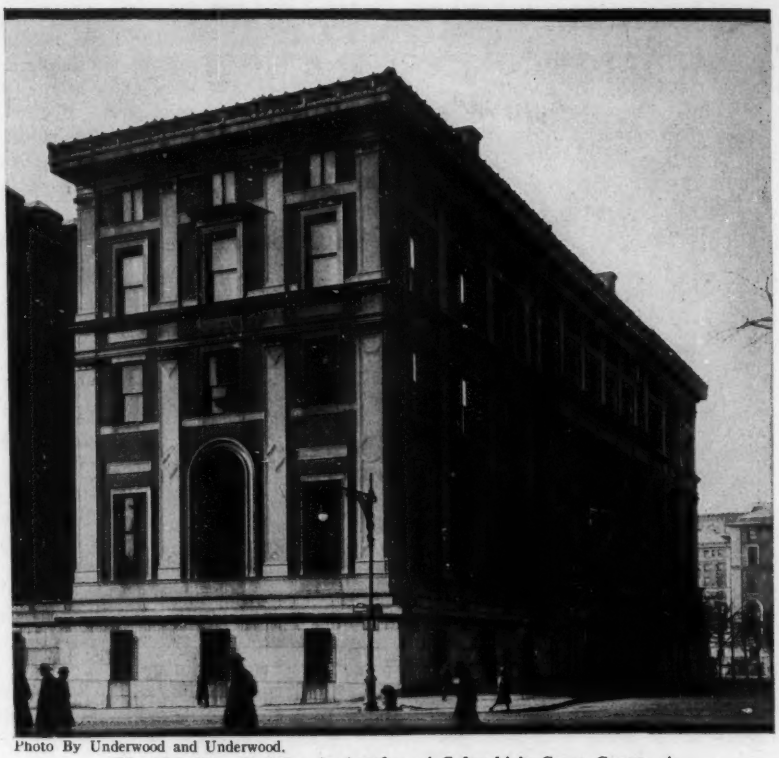


Photo By Underwood and Underwood.

The Hamilton Building Is Another of Columbia's Great Group of Structures Devoted to Higher Learning

Bits of Wit

What Every Woman Knows

"A car?" stormed an angry father. "Of course you can't have a car! Why, you would be absolutely helpless if you found yourself with a flat tire."

"Oh, no, I wouldn't, Daddy," the daughter retorted confidently. "I've given flat tires the air before this."—*Legion.*

Make It Unanimous

Artist (to friend)—"See that picture over there? Well, I painted it, and a million wouldn't buy it!"

Friend—"Well, I'm one of the million!" —*Ex.*

The Witching Hour

Co-Ed.—"Where will we go?"

Second—"I don't know. It's too late to go to bed and too early for a night club." —*Allston (Mass.) Recorder.*

Shouldn't Wonder.—

WEATHER

Colder tonight, heavy frost if clear. Saturday fair, probably followed by Sunday.—*Mount Carmel (Pa.) paper.*

Answering the Call

All State officers plan to be present at the opening of the homes for the feebleminded.—*"30 Years Ago Today" in the Wisconsin State Journal.*

All Set

"Of course, young man," said the girl's father, "you know that my daughter has always had a good home."

"Yes, sir," beamed the suitor. "I believe that it will prove entirely satisfactory."—*Legion.*

JOURNAL OF AMERICAN INSURANCE

Copyright 1927

FEB. 1928

VOL. 5 NO. 2

Published Monthly by the
American Mutual Alliance
180 N. Michigan Avenue
Chicago, Illinois
Harold P. Janisch, Editor and Business Mgr.

Dreams, Dreamers and Destiny

THE commonly accepted idea of the dreamer is that he is an impractical man. But it has not infrequently proved the case that the commonly accepted idea is a mistaken idea. It was once the prevailing opinion that the earth was flat. Here and there you will find, today, a man who clings to that notion. Newspapers recently told of a more or less eminent divine who announced his intention to make a trip around the world, declaring he was not going to travel around a sphere but around the rim of a plate or saucer. This formerly popular notion, however, has been upset wholly by science.

And so we think a little inquiry into the theory that the dreamer is an impractical man will show that it is not tenable. It will show, we think, that all the most practical men have been dreamers, that is to say if by practical we mean the achieving of things that are worth while and enduring, and if by dreaming we mean looking beyond the immediate to the future possibility. It is the impractical man who allows his attention to be absorbed wholly by the things of the moment.

FEBRUARY brings us two great anniversaries in American history—the birthdays of Washington and Lincoln. No two better examples of our contention could be selected than these. They were both dreamers, and they were both essentially practical.

They were practical men in the sense of the word which is most ordinarily given to it—that of knowing how to utilize opportunities effectively for the ends they sought to gain. There has been much delving into ancient documents of late, much searching of the sources by students eager to reconstruct the lives of these men realistically. Some of us have been troubled a little by what has seemed to be a lack of decent reticence in the treatment of national heroes. We have regretted the loss of a little of the glamor which tradition had cast upon towering figures, as if it made their accomplishments less great to discover that they were fundamentally human, made of the common clay which has entered into the making of all of us.

Of course, intelligently considered, that is not the result of such discovery. Rather its consequence is to quicken our admiration of these men, handicapped in measure by certain frailties familiar to many of us.

Washington has been shown as a man with an eye to the most practical considerations, a true business sense, but accompanied by an imagination which could transcend the momentary and the incidental, and conjure visions of the future. In politics and government he had the architectural mind, which cannot contemplate material, however chaotic, without at once shaping it into some design of use and beauty. Thru all of his campaigning as a soldier and, later, in his labors as a statesman, there loomed before him the possibilities of what these small beginnings might become. It was not so much the difficulties of the present which impressed, but the problems and perils of the days and years ahead. For these he planned. To meet these he sought to lay upon the hearts of his countrymen a feeling of responsibility, and to stimulate within them the spirit of broad-visioned cooperation.

Lincoln was no less a man of practical considerations, altho, perhaps, his eye for the material interest was less keen than that of Washington, and his sense of the human values greater. But in dealing with these latter values he was essentially practical. He maneuvered with tact and understanding. He was a great politician—great because politics to him meant the service of his country and his fellows, and all his efforts were inspired by that conception. He, too, looked far beyond the present hour and the immediate crisis. Before him stretched the ages pregnant with tremendous possibility. Washington had launched the experiment. It was for Lincoln to save it in order that government of the people, by the people and for the people might not perish from the earth.

WE miss the essence of these two splendid personalities if we do not see that they were both thinking of tomorrow—the far-reaching vista of tomorrows. Old world statesmanship has long labored under the spell of the past. This new world statesmanship wrought under the spell of the future, which it conceived in terms of increasing human welfare and security, of long-striding progress toward a splendid goal.

It is in the very nature of things that in a country which was influenced so profoundly by such leadership as this, a country in which every fact and circumstance emphasized the importance of forethought, the idea of insurance should take root at the beginning, and grow and flourish as nowhere else in the world. Forethought is the vitalizing factor in insurance. It is the intelligence of the dreamer anticipating destiny.

Arduous toil marked the laying of American foundations, and arduous toil has continued to mark the raising of the superstructure. Men who built their lives into the tasks of building a nation could not do otherwise than seek means for protecting the fruits of effort and sacrifice. Nationally they did this by making defense a matter of mutual responsibility, as it is today. In private enterprise they early made the safeguarding of property a matter of like mutual effort. This form of insurance has remained the distinctively American form; it is part and parcel of the genius of American life; it has marched in step with those ideas of cooperative forethought upon which the success of the great American experiment was, from the first, predicated. For this reason no man who is an intelligent believer in mutual insurance can note the arrival of such anniversaries as we this month celebrate, and fail to feel a thrill of pride that he has share in an institution which so fully and effectively expresses their spirit.

Life Lights Against a Business Background

A Little Fun With St. Valentine

By S. J. DUNCAN-CLARK

"A LITTLE nonsense now and then,
Is relish'd by the best of men."

I just looked that up in my dictionary of quotations, and that is the way it reads. In my head it ran "Is relish'd by the wisest men," but, seemingly, I had it wrong.

But the real reason why I looked it up was because I wanted to refresh my memory as to the author of this profound couplet. I discovered, what —of course—I ought not to have forgotten, that it was written by the famous poet, responsible for so many popular quotations, *Anon.* If he is not my favorite poet, he is, at least among my favorites. Unfortunately I have never been able to find out much about him—when he was born, where, whether he dictated his stuff, or wrote it himself, and things like that. The encyclopedias and compilations of biographies are singularly deficient in information. These books which profess to tell you everything you want to know are so often disappointing.

Nevertheless there is a great truth in the beautiful lines with which I have begun the writing of this article. They deserve to live, and, strangely enough in a world which is not always just, they seem to be getting their deserts.

WHICH reminds me that it was after the dessert the other night that a number of us who might, by a stretch of the imagination, be included in the category of "best men," pushing aside the remnants of our camembert and crackers, betook ourselves to the entertainment of composing valentines. I cannot recall who started it, and it does not really matter. Almost anything may happen after dessert. Somebody, I think, had commented on the fact that February, for a short month, was peculiarly distinguished by notable days. It developed that the speaker had been born in February along with Washington and Lincoln and Charles Darwin—and then there was St. Valentine's day.

The mention of St. Valentine's day evoked from somebody else the inquiry as to whether we remembered the funny valentines which used to hang in the window of the neighborhood store, and to sell for a penny apiece. We all did. One of us recalled how he had sent a libellous picture, in crude colors, with a libellous verse beneath it, to his teacher, and how by some occult process known only to teachers she had discovered the identity of her slanderous "admirer" and kept him in to lecture him on the sin of vulgarity.

Seated about the table were a doctor, a lawyer, a banker, a manufacturer—our host—and myself, a newspaper man. I think it was I who suggested that each of us should write a valentine verse for his neighbor on the left. In pre-Volstead days it would not have been difficult to account for the enthusiasm with which the idea was received, but I confess I am surprised at what cheese and crackers and coffee can do to stimulate the spirit of fun and genialty.

Our host, after considerable rummaging at his desk in the adjoining library, produced paper and pencils, and we went to work. It was manifestly hard labor for one or two of the company, and there was prolonged silence and much furrowing of brows before all were ready to read their compositions. Indeed we were so quiet for so long a time that our host's wife appeared at the door to inquire if we were all asleep. She said she was afraid the new cook might have put a drug in the coffee.

THE lawyer was seated on my left, so he became the theme of my effort, and, probably because I was the only professional writing man at the table, I was called upon to read my composition first. I am not proud of it, and yet I think it will bear comparison with some of the effusions which delighted me in my youth:

The Good Book says, "It came to pass
That with the jaw-bone of an ass,
The Philistines brave Samson slew;"
My friend, who practises the law,
With equal vigor wields the jaw—
What sort I leave to you.

There was loud applause from everybody but the lawyer, who muttered something about "smart-alecks," and proceeded to read his which was inscribed to the doctor:—

O Man of syrup and of squills,
With gratitude my bosom fills
When I reflect it is thy pills
Which keeps me busy writing wills.

"Fine," we shouted in chorus, "a splendid effort!" The lawyer beamed his pride, but the doctor expressed the hope that he might soon be called in to attend his legal friend. He read his verse addressed to the banker:—

From you big fees I must collect,
To ease my mind when I reflect
That I have helped to keep in health
A man who lives on others' wealth.

"Scoundrel," growled the banker, "just for that I discharge you. I will rely on golf to keep me well in future." Then he contributed his eulogy of our host, the manufacturer:

My kindly host for you I write
These lines in language most polite—
To me for years you have been known
As he who lives to love a-loan.

"Let me see how you spelled that last word," said the manufacturer, reaching for the banker's verse. "You know how I spelled it," said the banker.

IT was my turn to be apostrophized, and I think all of them were awaiting eagerly what the manufacturer had inscribed to me—eagerly and a little maliciously since I had suggested this abusive game. My host read:—

O' chiel' amang us takin' notes,
You are the chap who gets our goats:
But give me praise or give me blame,
Only do not omit my name!

"An honest man," I cried. "Our host is an honest man!" But the others, disappointed, declared he was merely another example of big business trying to corrupt the press.

Valuable Precedent.

"Listen," remarked the exasperated driver over his shoulder, "Lindbergh got to Paris without any advice from the back seat."—*Detroit News.*

Shake 'Em.

Boy is missing in first pair of long pants.—*Detroit Free Press.*

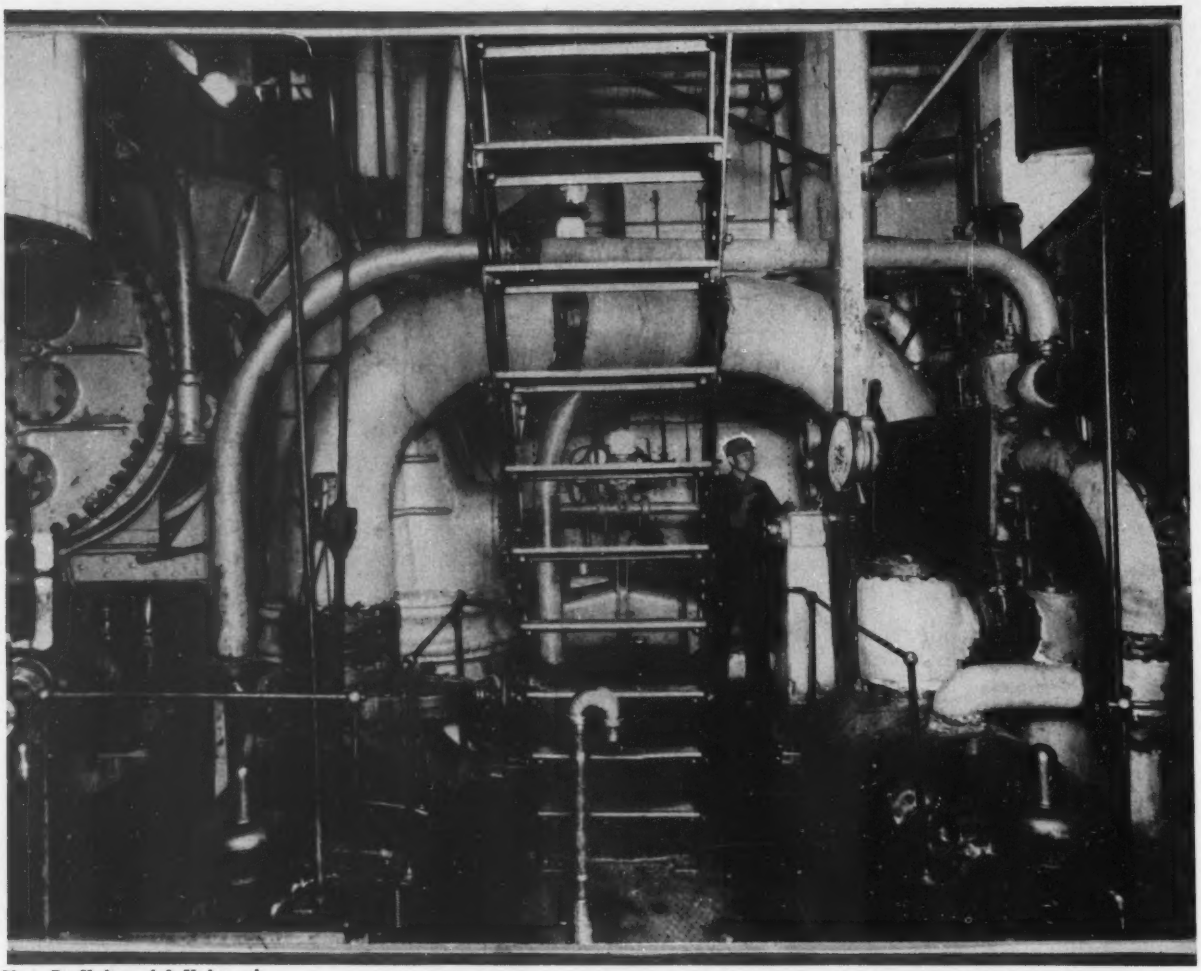


Photo By Underwood & Underwood.

The Maze of Boilers, Pipes, Gauges, Levers and Controls in a Modern Power Plant Has Important Insurance Aspects

Engineering Insurance

Continuing the Subject of Indemnifying for Loss and Damage Connected With the Use of Energy for Power Purposes

By C. A. KULP

Assistant
Professor of Insurance
Wharton School of Finance
and Commerce
University of Pennsylvania

ARTICLE II

ALL insurance policies, in order to keep down the cost of protection within reasonable limits, make a number of limitations on the promises just described. But almost without exception these limitations may be removed by endorsement or otherwise, upon payment of additional premium, an evidence even to the unthinking that their purpose is not to furnish to the company an underhand method of avoiding liability. The limitations are of three kinds: On the *amount of indemnity;* on the *causes of loss,* and on the *kind of property covered.*

Limitations on Amount.—The major limitation on amount payable is the face of the policy but again the engineering lines are different from other insurance. The policy face represents not the maximum liability *per policy* period (three years) but *per accident,* or what the engineering underwriter calls continuous indemnity. That is, the insured may have as many accidents as he pleases within the policy term: the payment of one loss does not operate to reduce the face of the contract, and no additional premium is requested of the insured. The order of loss payment is this: First, loss to the boiler itself and to other property of the insured and of other persons; second, personal injury liability losses. On the first class of loss there is no limitation whatever except of course the policy face. On the second (and this will explain why the promise to cover it is not a part of the main insuring clause) the company is liable for not more than $5000 *per person,* and then only for excess insurance if the insured has other public liability insurance covering the same loss. (These personal injury limits may be varied, if the insured desires, either upward or downward.)

Another limitation on amount payable is imposed by the "other insurance" clause, which makes the policy apply to a loss in proportion as its face bears to total applicable insurance.

Limitations on Causes of Loss.—The company is not liable for fire

loss from any cause nor for explosions resulting from fire, because they are already covered by other insurances.

An interesting limitation on loss cause in the steam boiler policy is that which excepts liability for loss or damage from the explosion of a boiler while a safety valve has, with the knowledge and consent of the insured, been removed or tampered with. The insurer, at the time of writing the policy, notes the number of pounds pressure which may with safety be put on the boiler, and if this is changed the boiler ceases to be the object accepted and insured by the company. An analogous limitation appears in the engine policy, which denies liability for loss resulting from tampering with the engine governor, a sort of mechanical policeman on the engine whose job it is to maintain the engine at uniform speed.

Limitations on Property Covered.—The policy covers only direct loss, as previously defined, and excludes liability for loss of worn out parts or equipment.

(b) *To defend.*—The promises of the company to pay certain losses arising out of legal liability for injuries to both the persons and property of others involves also a collateral promise to defend and settle suits and to pay costs connected with them.

2. *Promises of the Insured.*—They are: (1) To give immediate notice of claim for loss or damages; (2) to render proof of loss; and (3) to aid in effecting settlements.

3. *Rights of the Company.*—The two most important rights of the company are *to inspect* the insured power plant and the collateral right *to suspend* the policy if conditions discovered demand immediate remedy. Without a question the most important part of the policy is that containing the company's right to inspect. Boiler insurance companies spend many more dollars for inspection than for indemnity. So intimately do boiler losses go with boiler inspections that for the 10 year period 1917-1926 inclusive, the stock companies engaged in underwriting the line spent less than 13 cents of the premium dollar for loss and loss expense and nearly three times as much for the expenses of inspection. (There is only one mutual, and it writes steam boiler insurance only.) Emphasis is placed on inspection in the other engineering lines also, but the loss ratio is uniformly higher, for the ten year period being 24.3 percent, inspection being somewhat less important as a factor in prevention. That inspection is not simply a selling point may be shown by simply listing the statistics of the Hartford Steam Boiler Inspection and Insurance Company, a mono-line company which writes over one-half of all steam boiler insurance and a still higher percentage of other engineering covers. In 1926 the records of this company show the examination of nearly 500,000 boilers, over 180,000 of which were tested internally. In their inspection of power plant equipment of all kinds the inspectors of this company discovered in round numbers 215,000 defects, over 22,000 of them dangerous.[1] This striking statement of the value of inspection comes from the chief of the inspection department of one of the large insurance companies: "Explosion frequency is 20 times greater among boilers not subject to this inspection than among boilers which are inspected."

Perhaps it will seem strange to the reader that inspection is a *right* reserved to the company and *not a promise* made to the insured. But it really is not strange. A very real temptation of the power plant owner is to take too little insurance, a temptation the harder to check because even the insurance company does not know exactly the amount it has at risk because of the indefiniteness of the hazards of loss to the persons and property of others. If the company, in addition to assuming this burden of under-insurance, agreed also to guarantee, let us say, two or three inspections every year, and then failed for some reason to make them, the insured would naturally hold the insurance company liable for loss it had by its omission failed to catch. The truth of the matter is that the purchaser of a power plant cover is purchasing really a service of prevention; the company is in business normally to render such service and as a matter of routine does give it but it does not wish to be tied to a guarantee.

Other rights of the company are to have a reasonable time *to examine* the damaged equipment and premises; to *repair, restore* or *replace,* as

(Continued on page 31)

[1] July, 1927 issue of the "Locomotive."

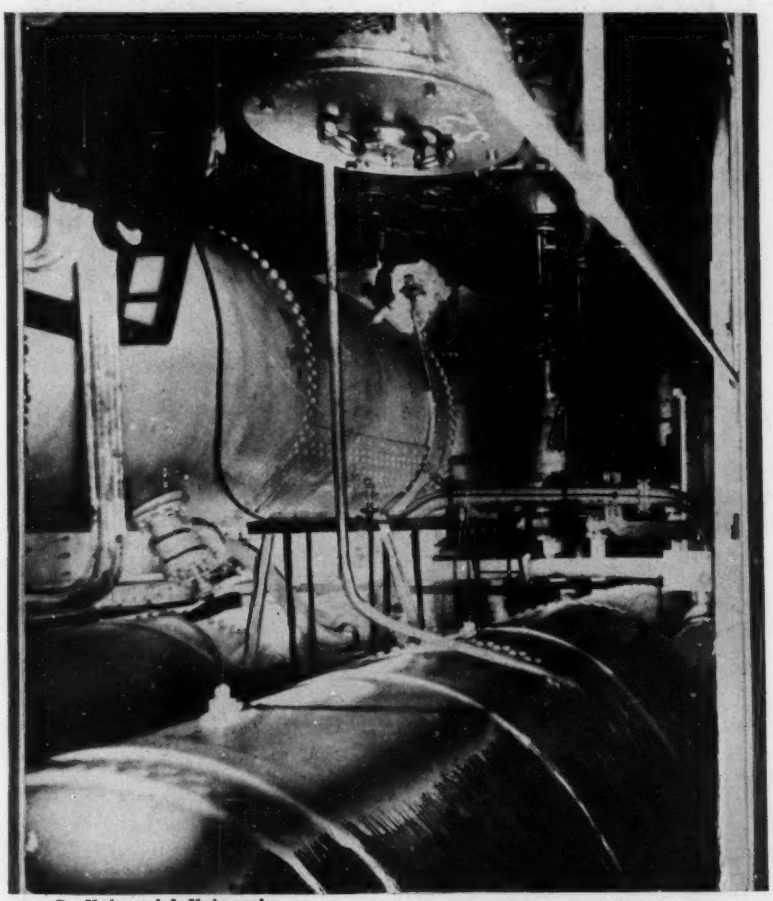


Photo By Underwood & Underwood.

Periodic Inspection of Boilers Is a Major Item in the Activities of Companies Which Write Engineering Insurance

The Conference Habit

By JAMES H. COLLINS

Author of "Human Nature in Selling Goods," "The Art of Handling Men," etc.

AT 10:00 A. M. they told him Smith had not arrived, so he said he would look in again later. At 11:15 they said Smith had come in and gone out again. At noon they told him that Smith could not be seen—he was in conference.

The visitor said that he thought Smith would be glad to know that he was in the office. Would they telephone his name in? But subordinates were firm. The idea of interrupting a conference! So the visitor said he must try to see Mr. Smith some other time, and left his card and departed.

When Smith came out of the conference and saw that card, he went through the ceiling. For the visitor was purchasing agent for a large Western company, and had dropped in to see Smith on his way home from a buying trip, because he liked the kind of fellow Smith was and the cordial letters he wrote—which were very different from the stereotyped "Mr. Smith can not be interrupted—he is in a conference."

Do you suffer from the great American conference habit?

This habit has been growing amazingly the past ten years. Originally it started with the very good idea that, because business organizations were spreading out and personal contact difficult to maintain, team-work could be promoted by bringing the men together every so often from departments and branches.

But nowadays, wherever two or three are gathered together, even in every-day routine talk, that is sanctified by the term "conference." And a man in conference is supposed to wear a cloak of inaccessibility. Nothing else on earth counts.

In most cases, this is pure camouflage!

Nine conferences out of ten are debating societies and rest cures. They are debating societies because, when more than two or three men undertake to discuss business matters without the strong control that ought to mark a real conference, they simply talk around the bush, and destroy concentration. And, because not one conference in ten is held to a strict program by an executive who knows where to start and when to leave off, the net result usually is a letting down of mental efficiency that makes the conference restful, but nothing more.

The most efficient business nation in the world, undoubtedly, is England.

The American lands in London, anticipating a series of world-beating conferences, and is told that at 2:10 P. M. Wednesday afternoon Sir Charles Smith will see him for fifteen minutes. The appointment is sacred. Sir Charles is waiting, and promptly turns out the previous visitor, and finishes with the American on schedule. All the facts must be summarized so that Sir Charles may give his decision. It may be a matter of millions involving concentrated affairs on the other side of the world. It is decided with a clearness and definiteness that makes the American head go round—and thus Sir Charles is able to spend Friday noon to Tuesday morning at his country home.

Not long ago a new manager took charge of a business so hypnotized with the conference idea that it was falling to pieces. Able men were quickly lost because they could get nothing done. No matter what project was proposed, the conference crowd held on autopsy on it. The bigger it happened to be, the greater the necessity for careful consideration, they said.

A preliminary conference debated the matter, and clearly brought out all the objections against it, and reduced initiative and energy to doubts and delays. Then all the misgivings were handed over to sub-committees, who held other conferences upon them, until finally the project was set aside altogether, to wait until times got better or the weather changed. That business had degenerated into an organization of debating clubs.

What the new manager did was very simple. Going back to first principles for debating societies, he applied ordinary parliamentary rules to hold discussion on the track and run it on schedule, and wielded the gavel on anybody who tried to wreck the train or lead it off on a ramble through the woods. He cut down the number of conferences, and made those that were necessary thoroughly unrestful by humorous and caustic comment for the fellows who doubted and dissembled.

When a subordinate attended one of this manager's conferences, he got enough things to do to keep him busy a week, with full authority to carry them out, and the obligation to come into the next conference bringing results.

Best of all, he utterly destroyed the myth about the sanctity of a conference. No Western buyer ever showed up in that office to see their Mr. Smith and found Smith inaccessible. Five minutes before a conference started, the managers' secretary took her station in the general reception-room. She was there to represent the manager—and nobody who ever had business with that concern slipped out of her memory. She knew faces and names, and would recognize a voice over the telephone a year after she had last heard it. She was even more solicitous about a stranger than in taking care of some visitor she knew.

Had that Westerner turned up to see Smith, she would have called Smith out. Better than that, she often sent the visitor into the conference room, and there he saw his man and met other men of importance in the company, and perhaps brought live information and a fresh outside point of view upon the matter they were conferring about.

This Month's Scotch Story.

Donald MacTavish lay a-dying. He had been all day about it, and his wife, who had watched with patient expectancy since early morn, began to feel the care of her neglected household duties.

"Aweel, Don," she said, as she moved the light to the table by his bed, "I must gang along to the kitchen the noo. Ye'll no be takin' yer departure afore I come back. But if ye should, ye'll blow oot the candle afore ye dee, will ye?"—*Ex.*

Knows His Red Peppers.

"Look at that woman driver on the wrong side of the street. The cop ought to bawl her out."

"He doesn't dare; that's his wife."—*Judge.*

Cheering 'Em Up.

There was a strawberry festival at the Union church Thursday evening for the benefit of the cemetery.—*Marion (Mass.) paper.*

The Land Nobody Knows.

Beyond the Alps lies Italy and, lest we forget, behind the bill-boards lies America. —*Judge.*

Among The Finest of All Insurance Offices Is That of the Hardware Dealers Mutual Fire Insurance Co., of Stevens Point, Wisc.

Property and Casualty Insurance

Side Lights on the Importance of Closer Understanding Between All Parties Connected With These Branches of Underwriting

By AVARD L. BISHOP

Professor of Business Administration, Yale University

ARTICLE VII.

Forms and Clauses in Fire Insurance

IF every fire insurance contract had to be entirely written to give the exact coverage desired by the insured, as every will and testament, let us say, has to be written to meet the peculiar wishes of the person making the will, the cost of the services of experts in preparing the contract would be so great that in a very large proportion of the cases the annual premium, on the basis of present cost of fire insurance, would not be sufficient to meet the expenses of getting the contract drawn. Put in other words and viewed from a slightly different angle, if every fire insurance contract had to be prepared "from the ground up," so to speak, the cost of fire insurance would be tremendously increased. Fortunately, those who had to do with developing the technique of the business devised a plan for eliminating to a large degree this great expense of getting the contract ready for delivery to the insured. This was done by preparing a general document which is printed by the thousands and by adapting this to meet practically any demand for fire insurance that arises.

Now, it is a well-recognized principle of procedure in the fire insurance business that the printed policy contract may be modified to meet any particular case, and this is true not only when the policy originally is being prepared for delivery to the insured but also after the policy has been delivered. As a matter of fact, inasmuch as the printed part of the policy document was prepared by experts to meet in a general way thousands of situations or conditions respecting fire insurance coverage, it actually has to be supplemented and modified here and there by endorsements to be made applicable to any case in question. Moreover, the New York Standard Fire Policy contains a statement to the effect that "any other agreement not inconsistent with or a waiver of any of the conditions or provisions of the policy, may be provided for by agreement in writing added hereto," thus recognizing in itself the fact that it may be necessary to make special provisions to adapt the policy to meet particular situations.

Endorsements or riders, as they are sometimes called, are divided by some authorities, for example, Riegel and Loman, in their *"Insurance, Principles and Practices,"* into two broad classes, entitled, "forms" and "clauses." The technical distinction is this: a form is used to supplement or add something to the printed policy—something that must be in-

serted to make the contract complete, or that may be added to extend the coverage. A clause, on the other hand, is attached to the printed part of the policy to permit something that is disallowed in it, or to deny to the insured something permitted in the general policy contract.

Altogether there are many hundreds of different forms and clauses that have been devised and the end is not yet. New endorsements still are being drawn up for approval to meet new situations, and the movement is likely to continue indefinitely. This is due mainly to the fact that social and industrial conditions are continually in a process of change and the fire insurance contract must needs be adapted to meet such changes. New hazards arise with the introduction of new types of machines, the automobile and the aeroplane for example, and old hazards become either eliminated or changed with the installation of new protective devices, as for examples, wire screening around machines and automatic couplers for railroad cars. On the other hand, endorsements that formerly were in vogue occasionally are discarded when no longer needed. As an example of an obsolete endorsement we may instance the one that related to "saloon and barroom furniture, etc."

It is not only when the fire insurance policy is being originally prepared for delivery to the insured that there has to be added certain forms and clauses. After it has been delivered to the insured, circumstances may arise which may call for further changes. For examples, a mortgage may be placed on the property shortly after it has been insured; there may be some change in the ownership of the property; the rate per $100 of insurance may have gone up or down; or the owners may wish to move the property to a different location which in itself might alter the rate of insurance. These and similar situations that arise may be taken care of by the agent without voiding the policy providing the appropriate endorsement in each case is added by him to the original policy. Of course, the fire insurance company has to be notified by the agent of all such changes, and these must be examined by the company and approved or disapproved.

Turning now from the general to the more specific discussion of our subject, attention first will be directed to a consideration of certain "forms." These include, among others, the insertion of the name or names of the party or parties that are being insured, the exact location of the property that is being covered, and exactly what is being covered in the policy in question. Care always must be taken that the interest of the insured in the property under consideration is exactly stated. Under ordinary circumstances the owner of property is the one who secures the insurance, although there are cases where the person who purchases the insurance is not the real owner. A typical instance of this is found where a commission merchant has been furnished with a consignment of goods that later are to be sold for the owner for a consideration. As a matter of fact the goods are to all intents and purposes held by the commission merchant in trust, so to speak, and the latter may very well purchase fire insurance coverage for them with the understanding that, if the goods are destroyed by fire before being sold, the merchant himself will be indemnified by the insurance company for loss of commission on the unsold property, and that the owner will be indemnified for the fair value of the property destroyed by fire, less the commission that would have been paid to the commission merchant had he held the goods in his possession long enough to effect the sale. To cover the interests of both parties in such a case, a so-called "commission form" has been devised to attach to the insurance policy.

SPRING MEETING
of the
FEDERATION
Of Mutual Fire Insurance Companies
NATIONAL ASSOCIATION
Of Automotive Mutual Insurance Companies
NATIONAL ASSOCIATION
Of Mutual Casualty Insurance Companies
MAY 3-4-5
At White Sulphur Springs, W. Va.

Again, under ordinary circumstances, the goods which are the subject of fire insurance are covered only when kept in a certain well-defined location and this, of course, has to be carefully set forth in the policy in a place provided for the attachment of the proper form. It is possible, however, for people whose property is moving from time to time to this place or that to secure insurance coverage on such moveable property. Tourists, for example, may purchase insurance against fire and other hazards on such of their property as is accompanying them on their travels. Forms have been devised to meet such cases and have come to be called in popular parlance "floaters." Appropriate forms of this same general order have been devised to cover moveable property other than that of tourists.

Again, by the use of the proper form, losses by fire other than *direct* losses may be insured against. It is a well-known fact that the widely used standard fire policies undertake to indemnify the insured only "against all direct loss and damage by fire," and that the more commonly used standard fire policy specifically states that such coverage is "without compensation for loss resulting from interruption of business or manufacture." The ordinary interpretation of this reservation is that what is popularly known as "use and occupancy" coverage is not furnished to the insured by the regular fire policy. Nevertheless, for a proper additional consideration, there will be attached to the policy the use and occupancy form which virtually guarantees the insured coverage for a certain type of loss other than direct loss, that is, consequential loss. Inasmuch as the whole matter of use and occupancy insurance in the fire field was discussed at length in a previous article in this series, no further mention will be made of this type of coverage here.

It sometimes happens that guests, in the homes of persons who have their own household effects insured, have with them clothing and other personal belongings of considerable value. Their loss by fire before the completion of the visit would at times be the cause of more or less embarrassment on the part of the host concerned, for who would wish to have a guest suffer a loss of any kind under one's own roof! Accordingly, the form for household furniture coverage often is made automatically to include the personal belongings immediately at hand of any visitors who happen during the lifetime of the policy to be within the premises

(Continued on page 25)

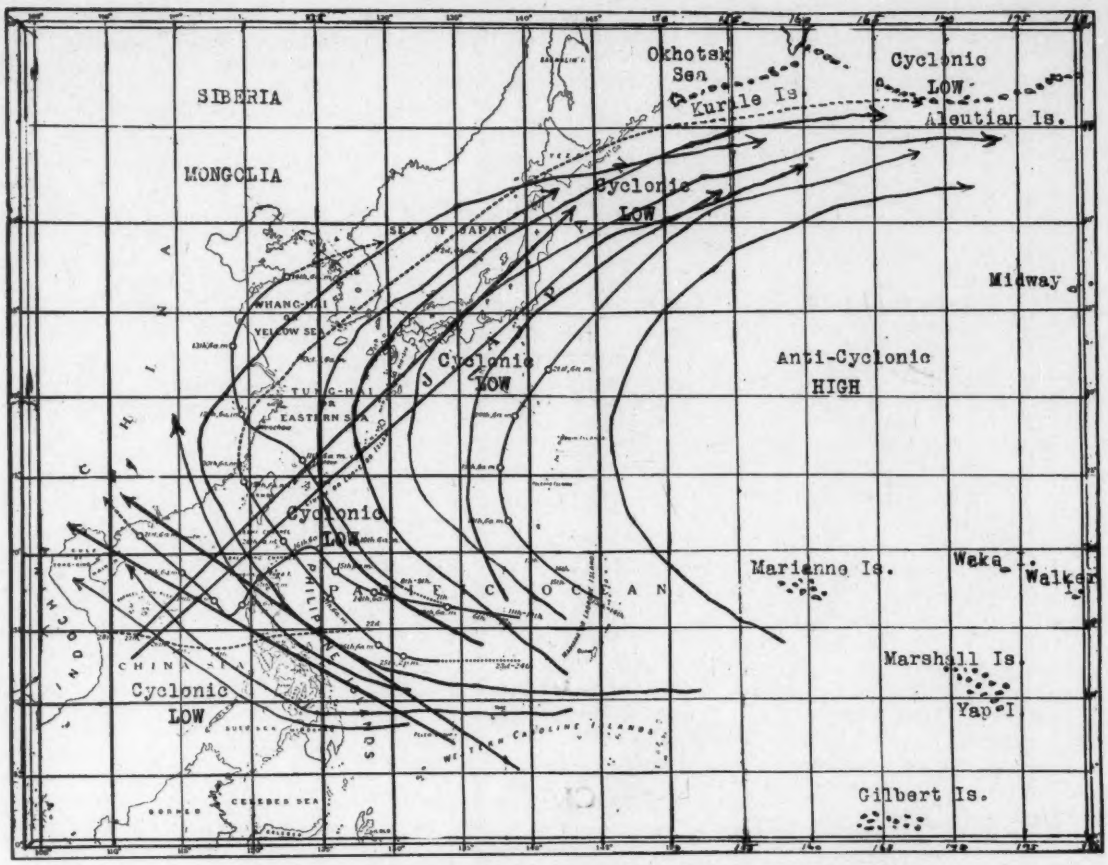


Plate No. I:—FLYING WEATHER CHART OF THE NORTH PACIFIC

Storm Characteristics in the North Pacific Ocean. A cartographical exhibition of Typical Cyclonic (Far East term Typhonic) paths of LOWS in the North Pacific Ocean. The location and course of progressive movement of East Indian Hurricanes, in the North Pacific Ocean corresponds to the location and course of progressive movement of West Indian Hurricanes in the North Atlantic Ocean. The position and persistence of the Anti-cyclonic HIGH in the North Pacific Ocean corresponds to the position and permanence of the Anti-cyclonic HIGH in the North Atlantic Ocean. The position and persistence of the Aleutian Cyclonic LOW in the North Pacific Ocean corresponds to the position and permanence of the Icelandic Cyclonic LOW in the North Atlantic Ocean.

The parabolic curvature of the paths of the East Indian Cyclonic LOWS, along the eastern coast of Asia corresponds to the parabolic curvature of the paths of the West Indian Cyclonic LOWS along the eastern coast of North America. The attendant weather conditions characterizing the development and passage of the East Indian Cyclonic LOWS in the North Pacific Ocean corresponds to the attendant weather conditions characterizing the development and passage of the West Indian Cyclonic LOWS in the North Atlantic Ocean. The appearance, movement, continuity and rainfall distribution characterizing the continental European and Asiatic Anti-cyclonic HIGHS and Cyclonic LOWS, corresponds to the appearance, movement, continuity and rainfall distribution characterizing continental North American Anti-cyclonic HIGHS and Cyclonic LOWS, subject to topographical modifications. It is therefore evident that storm development and movement, with accompanying weather changes, in the Northern Hemisphere, is a continuous succession of HIGHS and LOWS circumnavigating the earth in northern latitudes, modified by the local features of intervening land and water areas. This comprehensive analysis and review of weather phenomena in the Northern Hemisphere is of prime importance to Air Pilots. This chart should be studied in connection with the Flying Weather Chart of the North Atlantic Ocean, opening Article No. IV—Rainfall Diurnals, Ninth Section, appearing in the December 1927 issue of this Journal. It is also related to the Flying Weather Chart opening Article No. IV—Rainfall Diurnals, Eighth Section, appearing in the November 1927 issue of the Journal.

The Rainfall Hazard

Fundamental Factors Related to This Weather Risk and Their Practical Application to Underwriting

By COLONEL JOHN P. FINLEY
Consulting Meteorologist and Manager
National Storm Insurance Bureau
New York City

Article IV—Rainfall Diurnals
Tenth Section.

NO phenomena of the atmosphere is of greater economical importance, in its several forms to serve the purposes of animal life, than precipitation. Deprived of its benefits both animal and vegetable life would suffer immeasurably. Man has never been able to produce it artficially. Nature has never entrusted the secret to him and he has never been able to combine natural forces to produce rain-drops and bring them to the earth's surface.

Man knows that the atmosphere is a mechanical mixture of certain gases, the predominant one being nitrogen. There is *no chemical* com-

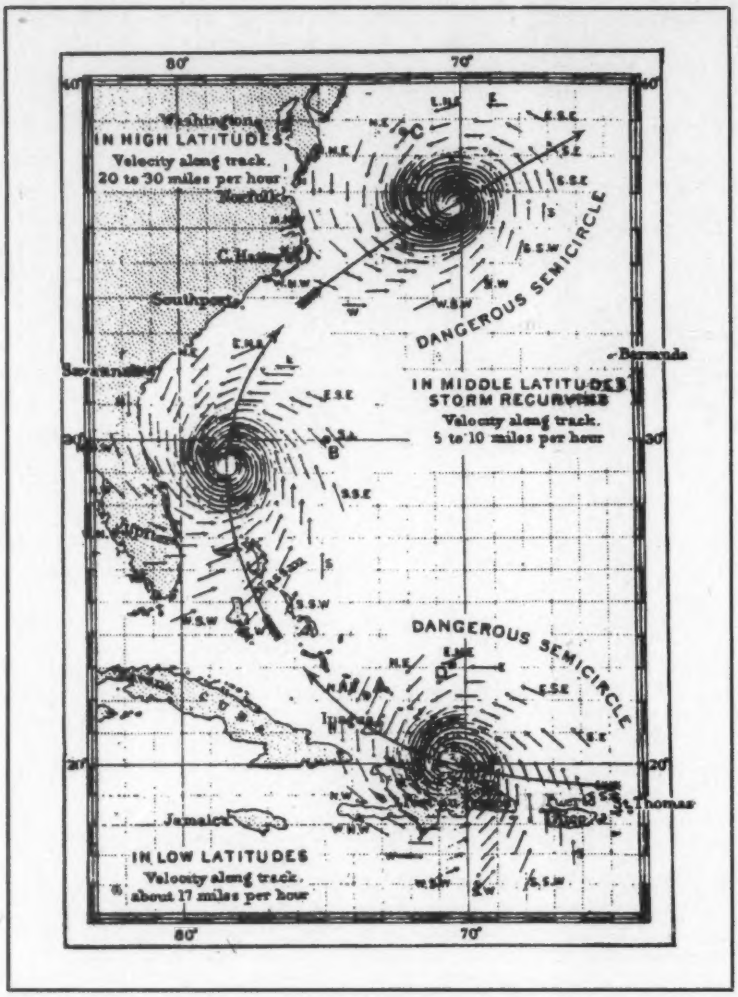


Plate No. II:—FLYING WEATHER CHART OF THE CYCLONIC LOWS OF THE NORTHERN HEMISPHERE

This chart exhibits the characteristic Track and Wind-System of the Cyclonic LOWS of the Northern Hemisphere, as determined by the records and investigations of the Hydrographic Office of the U. S. Navy Department, confirmed also by similar researches conducted by the U. S. Weather Bureau.

The general circulation of the winds on the surface of the earth is from East to West in the Tropics, both north and south of the Equator, and from West to East in the middle and high latitudes.

This general circulation is frequently interfered with by local conditions, especially in the Northern Hemisphere. If at any point in this East and West System of air circulation there occurs an area of low pressure, the air from the surrounding region of high pressure is forced inward, not toward the center, but spirally around it, the velocity of the lower air depending upon the rapidity of the change from high to low pressure. If the earth were stationary the direction of this motion would be immediately from the region of high toward the region of low barometric pressure. The earth, however, is in rapid rotation from West to East, which motion exercises a material influence over air circulation. Points on the surface of the earth near the poles have a less rapid linear or circumferential velocity than points situated nearer the Equator. Air moving toward a region of greater earth velocity draws more and more from east to west; while air moving toward a region of less earth velocity draws more and more from west to east. Plate II illustrates the typical parabolic track of the West Indian and East Indian Cyclonic LOWS of the Northern Hemisphere, with its attendant system of spirally incurving winds, blowing counter-clockwise toward the center of lowest barometric pressure. In the four quadrants of the Cyclonic LOW different conditions of severity prevail, the SE quadrant being the most dangerous. It is the quadrant of the occurrence of violent local storms, such as tornadoes, waterspouts, thundersqualls and hail. In both the NE and SE quadrants the rainfall area is most extended, and over the water areas the storm waves, swells and high tides are most violent and destructive. In circumventing a LOW it is important that Air Pilots avoid passing through these quadrants, as far as possible.

bination with oxygen or any of the other gases. Qualitative analysis does not show any free hydrogen and by its absence man is rescued from annihilation, either through accident or intention, in the dangerous handling of an explosive substance. From the other point of view water *is a chemical* combination of two gases, "the ubiquitous oxygen and the fugitive hydrogen." Two molecules of hydrogen with one of oxygen make a molecule of hydrone, which in turn makes water, the chemical notation being $(H_2O)_2$ or H_4O_2.

Raindrops are formed under conditions of saturation whenever a sufficient cooling of water vapor occurs. In spite of the continuous and rapid evaporation from nearly all parts of the earth's surface, the atmosphere as a whole, never becomes, even approximately saturated. This is naturally a result of vertical convection. Whatever the precipitation resulting from this convection, considering the temperature and relative humidity of a given mass of air, at any point in the route, the absolute humidity is less by the amount of condensation that has occurred. On the average air in a convection circuit descends to the earth drier than when it previously moved upward from it. While convection induces abundant precipitation it is also a most efficient drying process. The rising air which gives rise to precipitation accumulates droplets that cannot approach the earth until they have grown beyond a certain size, which increases with the upward velocity. The variations in this velocity produce repeated rises and falls of drops, of the appropriate sizes, until growth through coalesence, or condensation, or both, sufficient for their final fall occurs.

PERSISTENT vertical convection does not occur in fogs, nor in the average cloud. Therefore they do not exhibit either filtering or continuous condensation. Drops of appreciable size do not, therefore, form within them, nor rain fall from them. The velocity of fall of raindrops through the air of normal density is nearly proportional to the square root of the density of the drop. The intensity or rate of rainfall varies from zero up to several inches per hour. The gradation may be expressed as follows, beginning with clear air at zero. Fog shows a trace per hour with a drop diameter of 0.01. Mist, 0.05 per hour, diameter 0.1. Drizzle, 0.25 per hour, diameter

(Continued on page 28)

Forms and Clauses

(Continued from page 22)

described in the policy as containing the household and other effects of the insured. A great deal more might well be added, if space permitted, regarding forms and their uses, but it is hoped that already enough has been said to indicate clearly their underlying purpose, and to show how indispensable they are in the preparation of the insurance policy, and in its amendment later if a situation arises which makes such alteration desirable. Accordingly, we pass on to a consideration of fire insurance "clauses."

"Clauses," it will be remembered, are designed either for the purpose of permitting certain specific things not allowed according to the wording of the main body of the policy or for restricting or totally denying the insured certain specific things which otherwise would seem from the main text of the policy to be permissible. Inasmuch as hundreds of clauses have been devised for use in connection with the fire insurance policy, it will be possible within the limits of this short article only to make brief reference to a few.

The first that we will mention embraces a group of clauses designed to exercise control over or actually to limit the percentage of the loss payable by the insurance company, under certain circumstances, in the event of a fire. Here are included the co-insurance clause, the three-fourths loss clause, the three-fourths value clause, and the average clause. The co-insurance clause is designed to prompt the insured to purchase coverage on certain types of risks, particularly where there is good fire protection, for at least a certain large percentage of the fair cash value of the property insured (eighty per cent is a common requirement). Failing to carry insurance at least up to the designated percentage of value of the property concerned, the insured becomes, according to the co-insurance clause, a co-insurer for a certain percentage of the loss, provided a fire occurs which does not result in a total loss.

Just as the co-insurance clause was designed to prompt the purchaser of fire insurance to cover his property for at least a definite large percentage of its value, sometimes as great as 90 or 100 per cent, so the three-fourths loss and three-fourths value clauses probably have the opposite effect of prompting the insured to purchase a conservative amount of coverage. Either the three-fourths loss clause or the three-fourths value clause is more likely to be attached to a policy covering a country risk rather than a city risk, that is, risks where the fire fighting and fire protective devices are either entirely lacking or are poor as contrasted with cities, and where, consequently, a fire is more likely to result in a total loss than though it occurred in a city. Under such circumstances, it is desirable, from the company's standpoint, for the insured to have an effective motive in keeping the property free from fire, and the clauses under discussion when made a part of the policy are likely to supply this motive. In case the three-fourths loss clause is attached, the company's liability is limited to three-fourths of the loss suffered; in other words the insured is a co-insurer for one-fourth of the loss. The three-fourths value clause operates slightly differently. It means that the upper limit of the company's liability is three-fourths of the value of the property when destroyed, even though greater insurance than this has been carried.

IN THE
MARCH ISSUE
WILL APPEAR
MORE ARTICLES
BY
PROFESSORS
IN
AMERICA'S
LEADING
UNIVERSITIES

The so-called average clause has for its purpose the equitable distribution of the total insurance coverage when it covers property in different places. The clause may be worded, in part, as follows: "This policy to attach in each building or locality in proportion as the value in each bears to that in all." In brief, this means that if the property is fully insured the amount payable by the insurance company, in event of a loss, will not be affected by the clause. Nevertheless, if a relatively small amount of insurance is carried in proportion to the value of the property, the units or divisions of the property likewise are underinsured wherever they happen to be located.

Another set of clauses has to do with the granting of permission to the insured to do certain things denied to him in the printed part of the policy proper. It would require considerable space adequately to deal with these clauses, so that all we may hope to do here is little more than to record an enumeration of some of the more important ones that have been used. Thus there are clauses permitting the premises to be unoccupied for a longer period than that ordinarily allowed in the policy proper; enabling the owner of insured premises to undertake and carry out alterations or repairs extending over a considerable period of time; permitting industrial plants to operate without suspension of insurance coverage during night-time, a privilege disallowed, without special endorsement, in the New York Standard Fire Policy; the granting of the privilege to store explosives or other ordinarily disallowed articles on the premises; or permitting the property owner to transfer the insured goods to a place other than that originally described in the policy without the suspension or cancellation of the insurance.

Finally, there are clauses dealing with all sorts of other circumstances whereby the insurer, for a proper consideration, undertakes to assume various sorts of liability ordinarily excluded from the fire policy, or, on the contrary, where the insurer undertakes to decrease still further the liability as set forth in the main text of the policy form. Thus we have a consequential damage clause (other than the well-known use and occupancy clause) undertaking to exempt the insurer from such consequential losses as, for example, that arising from temperature changes in a cold-storage warehouse. Then, there is the clause permitting the owner of insured property to have on the premises more than the usually prescribed amount of gasoline. Also, there is the dynamo clause, used in connection with certain kinds of risks, limiting the liability of the company or entirely exempting it from liability on account of fire damages attributable to dynamos. Moreover, as is rather generally known, there is in common use in connection with certain classes of risks a spontaneous combustion clause exempting the insurance company from all liability where fire is clearly attributable to spontaneous combustion.

Some of our readers will have discerned that the addition of clauses which have been pasted onto the main part of the policy inevitably will result in a completed contract which is contradictory at several points. The New York Standard Fire Policy, for example, specifically states on the second page that "this entire policy shall be void . . . (a) if the interest of the insured be other than unconditional and sole ownership, or (b) if the subject of insurance be a building on ground not owned by the insured in fee simple; and so on included several such limitations.

Now everybody knows that fire insurance is effected when the interest of the insured is other than that based upon unconditional and sole ownership, also that buildings are insured easily enough when the owner of the same does not own in fee simple the land upon which the building stands; and that such insurance coverage in both sets of cases is *bona fide* in spite of any wording to the contrary in the standard fire insurance policy. It is the part in the quotation cited in the preceding paragraph which we, for the moment, voluntarily deleted—the part following the word "void"—that saves the situation in the cases instanced. The deleted words read as follows: "unless otherwise provided by agreement in writing added hereto." This is a statement which leads one to expect that the text of the policy may be altered by endorsements and such, of course, very often is the case. It is a well accepted principle in the interpretation of the completed policy contract that, when there is any conflict between the main printed part of the policy and any endorsements or riders that have been attached to the same, the endorsements control, that is to say, as Professor Huebner has so well expressed it, "Such endorsements take precedence over any provisions in the contract with which they may be in conflict."

In conclusion, it should also be stated, perhaps, that when the property insured against fire is of considerable value, several policies of insurance, issued by as many different companies and through an equal number of different agents, may exist. It cannot be emphasized too strongly that all such policies should be alike in their wording, that, to use a technical term, they should be concurrent. Then the coverage, in the case of all companies, is identical; and if a fire takes place the loss will be easily apportioned among the companies concerned, a situation contrasting strongly with the legal tangles that later may be uncovered if the policies happen not to be concurrent.

Selling To Farmers

(Continued from page 6)

What the farmer gets out of life purely for *himself* is not much, when one stops to think it through; yet everything he *puts into* life is made possible because he has this dominant motive of *self-interest.*

We are all familiar with the old saying: "Self-preservation is the *first* law of Nature." A man must *live* if he is to be of any use at all, and he must *take care of himself* if he is to live and do his work. That's why all of us have the dominant instinct of self-interest so firmly fixed in our minds that we instinctively refer everything to it before we will decide to *do* anything.

"What will this do to or for ME?" is the first question we ask ourselves, consciously or subconsciously, when we first begin to consider *any* line of action. Even when we've done the same thing a thousand times, still that same thought prompts us every time we repeat the action, except that the thought takes the form of an *affirmation* instead of a *question* when we know "what it will do to or for ME."

FOR example, even when we sit down to a good hot dinner, our subconscious minds say: "I'm going to *enjoy* this!" "This is going to be *good* for me!" "I'll feel like another man after I get *this* inside of me!"

You see, it's the same dominant motive, except that we *know* the answer and have that in our minds instead of the question:—"What will this do to or for ME?"

Anyone who wants to make anyone want anything hard enough to buy it, will have to supply an answer to that question before he can even hope for success.

It's the Golden Key to Salesmanship; because salesmanship is simply making people *want* things harder than they want the *price;* and the only *way* to make people want things that hard is to make them see that what these things will *do* to or for them will be worth more to them than the price.

People sometimes overlook the absolute and invarying TRUTH of that simple statement, because they notice that folks do sometimes seem to buy things without any sales-pressure, having been brought to bear upon them; but, in reality, that isn't true. "Sales-pressure" is simply the pressure of *wants* working in the buyer's own mind against his own *resistance* to buying. When the pressure becomes stronger than the *resistance* to buying . . . he BUYS; but until it does, he *doesn't.*

That pressure *can* be created by his own reasoning without any outside assistance or suggestion; but it seldom *is* nowadays. There are so many people ready to assist us in *wanting* so many things today that we seldom get a chance to think out for *ourselves* why we should want a thing like mutual insurance. In consequence, we *don't* want it, unless and until somebody *assists us* to want it; and the *only* effective way anyone can do that is to *show us what it will do to or for us.*

THE manager, or the solicitor, of a Farmers' Mutual Insurance Company who will fix that fact *firmly* in his mind, will gradually discover for himself that it is a *pass-key* which will unlock all minds for him, when it is properly inserted in those minds and properly turned.

No key will put itself in the lock and turn itself, but no locked door can be opened without the key.

Well, here we have the KEY; and the subsequent articles in this series will take up the question of just how to USE this key. Look for the next in the March number; it may mean thousands of dollars in premiums to any Mutual Insurance man who admits that he doesn't yet know it all, and who is willing to borrow from the practical experience of others.

When Candor Rules.

"It often happens," says a doctor, "that a man who is a lunatic is entirely ignorant of the fact." Unless he happens to be married, of course.—*Humorist.*

Fido! Fido!

Hobo: "Lady, I don't know where my next meal is coming from."

Woman of the House: "Well, this is no information bureau."—*Boston Transcript.*

Economic Functions

(Continued from page 8)

Casualty companies by varying rates continuously encourage prevention of accidents, while a steam boiler insurance company pays out for its inspection service and related preventive work four times as much as it pays out in losses.

IT is in line with this principle that the risk of fire is likewise measured by schedule rating which allows lower premiums on property with appreciably reduced physical hazards, improved construction, fire resisting materials, or protective appliances; while a large number of fire insurance companies maintain the Underwriters' Laboratories in Chicago and other cities in the interest of national safety against fire, in testing the fire resistant qualities of mechanical, chemical and electrical equipment as well as in conducting a continuous campaign for fire prevention. Insurance also aids in the efficient conduct of every economic enterprise by giving the necessary factor of security against disastrous loss. It has aptly been called "one of the grandest human devices in the warfare against risk."[1]

Despite the real gains to the individual, to business and to society from the transfer of property risks, the protection is obtained only at a considerable social outlay. Large losses still occur, and the insured group must bear the burden of indemnifying claims as well as of the operating expenses. It is striking evidence of the estimated value of insurance protection, however, that it should be desired by men even though at great cost. But the loss to society from unguarded and uninsured risks would be much greater. It should be stated with full recognition of the beneficent character of insurance that certain disadvantages sometimes accompanying it need to be overcome and their evil effects to be made as slight as possible. Among these are the following: (a) The provision of security against future loss even on a low material basis tends in the case of some men to weaken energy and slacken effort. (b) Carelessness is encouraged by insurance. When an automobile has been insured against theft or fire there is a subtle tendency toward a relaxing of precaution against its loss. (c) Dishonesty finds at times an easy outlet and encouragement in insurance. The proportion of annual fire losses attributable to incendiarism has been estimated to average from 5 to 35 per cent. Deliberate destruction of insured property is a well-known fact.

1. Irving Fisher, "Elementary Principles of Economics" (1915), p. 429.

Virginia Ruling

(Continued from page 12)

tecting Virginia policyholders against excessive rates and unjust discriminations, and at the same time affording the insurance companies adequate compensation.

"2. That the control of all insurance matters be placed in the hands of three commissioners and not in the hands of an individual.

"3. That since the Corporation Commission, a constitutional body, represents the State in dealing with corporations, and has the right to fix or approve the rates of railroads and of other public utilities, that it seems logical to place the control of the fire insurance business in the State in the hands of this commission.

"4. That if it does not seem feasible to give the control to the Corporation Commission that a board of three commissioners devoting their entire time shall be set up on somewhat the same basis as the Board of Fire Insurance Commissioners of Louisiana.

"5. That to the commission having authority to control insurance matters there shall be delegated the power:

"(a) To investigate and study the problems of fire insurance, liability insurance, casualty insurance, automobile insurance, and the question of surety bonds and rates charged for the same and to make recommendations to the General Assembly with reference thereto.

"(b) To have absolute authority to fix or approve all fire insurance rates in this State, both base rates and final or ultimate rates.

"(c) To fix qualifications for agents and to license the same.

"6. That a new inspection and rating bureau be set up under the direct control and supervision of the constituent insurance authority of the State, the expense of which bureau shall be paid for by the insurance companies members thereof; that this bureau shall have no connection with the Southeastern Underwriters Association but shall be amenable directly to the constituent insurance authority of the State; that not only stock companies but mutuals and reciprocals shall be entitled to membership therein, provided they comply with the conditions and regulations that shall be prescribed by the constituent insurance authority of the State, and that all companies licensed to do business in this State shall be members of this bureau.

"7. That the State shall be organized as a unit for rate making purposes and that as far as possible the rates prevailing on the Eastern Shore and in the Valley of Virginia shall be taken as a basis.

"8. That in fixing rates in Virginia the constituent insurance authoritiy be required to allow the companies not more than an actual reasonable profit as a whole and that the law be amended so that the technical term 'underwriting profit or loss' shall be eliminated.

"9. That the brokerage fee of $100.00 on nonresident brokers be reduced to $10.00.

"10. That the law be modified so as to require a deposit from non-resident companies only when it is necessary in the discretion of the constituent insurance authority for the protection and interest of the citizens of Virginia.

"11. That while we cannot make a full report on workmen's compensation, we feel justified from a partial investigation in recommending that to the duties already imposed upon the Industrial Commission there shall be added the duty of studying the compensation insurance rates and of fixing and approving all insurance rates to be used in Virginia for workmen's compensation.

CONCLUSION

"We are having bills prepared which will embody our findings and recommendations. We regret that we are not able to report upon any other subjects assigned to us than fire insurance. We trust, however, that our report may convince you of the fact that all questions of rates should be under a commission which will have authority to act and that you may find it feasible to make adequate provisions for this commission to employ such expert help as is needed to get at the very bottom of all rate questions that so vitally concern the citizens of the State. The volume of material that we have collected is too large to submit to you for publication and we are therefore filing it with the State Librarian for reference. It is listed in the appendix attached hereto.

Respectfully submitted,

J. A. C. CHANDLER,
Chairman,
WALKER C. COTTRELL,
Secretary,
ROBT. R. PARKER,
BRADEN VANDEVENTER,
O. E. JORDAN."

Repentant "Central."

O Lord, for all I done to-day
To cause annoyance and delay
To make a person rant and rave,
For all wrong numbers I have gave
And gave and gave when I'd be cryin'
For five three seven, thrrree seven ni-yun,
For all the needless irritation
When I cut off a conversation,
The cusses—calls for information
Because of me—the slaps and slams,
The smashed receivers—darns and damns
I've caused this day—O Lord, for these
And all my sins,
Excuse it, Please!
—*Oliver Herford in Life.*

We Back the Machine.

Physicists are wondering what will happen when the newly invented indestructible collar meets the irresistible laundry machine.—*New York World.*

System.

"Are you sure the train would stop if I pulled the bell-cord?" inquired a nervous passenger.

"Of course it would," replied the conductor, who was pretty sick of this sort of thing. "The other end is tied around the engineer's neck."

Rainfall Hazard

(Continued from page 24)

0.2. Light rain, 1.00 per hour, diameter, 0.45. Moderate rain, 4.00 per hour, diameter, 1.0. Heavy rain, 15.00 per hour, diameter, 1.5. Excessive rain, 40.00 per hour, diameter, 2.1. Cloudburst, 100.00 per hour, diameter, 3.0. With a diameter of 5.0 and a velocity of fall of 8 metres per second the largest drops break up. The above rates per hour and diameters of drop are expressed in millimeters. Water can be produced in the chemical laboratory, as already explained, but human ingenuity has never been able to wring it out of the atmosphere. The natural process of precipitation has been briefly explained and shows that it is the product of the mighty forces of cyclonic and anti-cyclonic circulation, the inauguration and maintenance of which lie entirely beyond the power of man. The gigantic task of producing condensation in the atmosphere, or of preventing it, in connection with precipitation, must be reserved to nature's forces, not yet disclosed to man.

The claims of alleged "Rain-Makers" that their secretly housed contraptions, for the artificial production of rain, have proved successful and beneficial to agricultural interests are false, ridiculous and even injurious to such interests. Both government and private experiments in this direction have alike proved a failure. The private fakirs continued the experiments after the government had signally failed in the vicinity of Washington and in Texas. When nature-made rain has actually fallen at or near a rain-making plant, the rain-maker invariably claims the occurrences as 100 per cent verification of the operation of his invention. No rain-maker has ever been able to afford a scientific proof of his claim, but he has succeeded in fooling the people into accepting his demands and in being content to believe, and pay for nature-made rain falling near his plant, as the result of its mysterious operation. Nothing could be more pretentious and absurd. The farmer is beginning to learn that these rain-making claims are without foundation in fact, and that he has parted with his hard-earned money through the monstrous gold-brick swindle, of cajoling him into sacrificing cash for a natural manifestation of nature's benevolence. It is a very simple matter for the qualified meteorologist available at all U. S. Weather Bureau Stations throughout the country to destroy the pretensions of the rain-makers and protect the agriculturist and other industrial interests from losses on this score. The farmer can obtain reasonable and reliable protection against loss of crops from drouth by applying to his nearest local insurance agent. The cost will be less and the protection secure through the purchase of a crop-insurance policy. Other interests can be guarded by the writing of Rain Insurance, Flood Insurance and both Hail and Windstorm Insurance. There remains no justification whatever for the farmer and small merchant of the Middle West, Plateau Regions and Pacific Slope to resort to any gold-brick swindle, when legitimate and responsible insurance is available for guarding and promoting their investments. The East and South have long been secure against such invasions of the field of legitimate business. State insurance laws and departments are in operation to avoid the introduction of nefarious schemes for the protection of life and property.

PLATE III—The relative frequency of West Indian Cyclonic LOWS in the North Atlantic Ocean correlated by months and years for a 30-year period, 1887 to 1925, inclusive.

Month	1887 to 1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	Total
January	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero
February	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero
March	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero
April	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero
May	1	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	1
June	13	1	Zero	Zero	Zero	Zero	1	1	Zero	1	Zero	17
July	14	2	Zero	Zero	1	Zero	Zero	Zero	Zero	Zero	Zero	17
August	32	3	1	2	Zero	Zero	Zero	Zero	1	2	1	42
September	60	3	1	2	2	4	3	2	1	2	1	81
October	62	3	Zero	Zero	Zero	Zero	1	2	3	1	0	72
November	13	1	Zero	Zero	1	Zero	Zero	Zero	Zero	1	1	17
December	2	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	Zero	2
Total	197	13	2	4	4	4	5	5	5	7	3	249

FLYING WEATHER STORM-TRACK FREQUENCY AND DISTRIBUTION FOR THE NORTH ATLANTIC OCEAN

With the exception of the North Pacific Ocean, the Arabian Sea and the Bay of Bengal, the occurrence of Tropical Cyclonic LOWS is confined to the summer and autumn months, of the Eastern and Western Hemispheres, and for the most part to the western portions of the several oceans. It is within these portions that opposing and baffling winds most frequently prevail, attended with fluctuations in temperature and humidity that give rise to covectual circulation that forms the exciting cause for cyclonic LOWS.

In the South Atlantic Tropical Cyclonic LOWS do not occur due to the fact that the Doldrums (Area of opposing and baffling winds) remain north of the Equator.

In the North Atlantic Ocean, including the Caribbean Sea and Gulf of Mexico, the months of greatest frequency are August, September and October, the time of maximum frequency occurring during the first half of September.

Tropical Cyclonic LOWS are of smaller area than exists with the Extra-tropical Cyclonic LOWS. The former quite often have a diameter of less than 100 miles and therefore the wind velocity is higher and the destructive power greater. The latter prevail over the middle latitudes, and vary in diameter from 500 to 2,000 miles, progressing almost invariably in an easterly direction. This direction may have a north or south component, usually the former. The temperature in front of the easterly advance is relatively warm, while that of the rear is cold. Over the front, rising convectional currents prevail, while over the rear the currents are descending from the colder regions of the upper-cloud areas.

NOTE—Owing to the Scarcity of Observing Stations and Reporting Vessels a Small Percentage of Hurricanes Escaped Record.

THE significance of rainfall and other forms of precipitation are not to be underestimated, as a visible sign and portentous symbol of the mighty natural forces, operating in the atmosphere to change gaseous elements into liquid forms, and start destructive motions that can readily destroy any man-made or man-operated devices or structures, rising in the air or designed to navigate it.

PLATE IV—The relative frequency of East Indian cyclonic LOWS (Typhoons) in the North Pacific Ocean correlated by months and types, for the 25-year period 1901 to 1925, inclusive.

TYPES	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV.	DEC.	TOTAL
I	ZERO	Zero	1	1	4	3	3	8	14	13	8	4	59
II	2	1	3	1	Zero	1	6	23	20	14	6	1	78
III	1	2	1	2	6	5	14	21	13	13	3	6	87
IV	3	1	1	1	2	2	11	19	12	9	3	3	67
V	1	Zero	Zero	Zero	2	2	Zero	4	Zero	2	3	2	16
VI	Zero	Zero	Zero	Zero	Zero	2	9	14	7	3	Zero	Zero	35
VII	Zero	Zero	Zero	Zero	Zero	4	16	9	6	5	6	3	49
VIII	Zero	Zero	Zero	2	1	2	5	Zero	6	9	3	1	28
IX	4	Zero	Zero	Zero	Zero	2	1	2	6	5	6	4	29
X	Zero	Zero	Zero	Zero	1	2	8	7	7	1	Zero	Zero	26
XI	1	Zero	Zero	Zero	1	Zero	1	Zero	Zero	Zero	Zero	Zero	3
XII	1	Zero	Zero	Zero	3	3	2	4	Zero	1	Zero	Zero	14
TOTAL	13	4	6	7	20	28	76	111	89	75	38	24	491

FLYING WEATHER STORM-TRACK FREQUENCY AND DISTRIBUTION FOR THE NORTH PACIFIC OCEAN
(Plate IV.)

In the North Pacific Ocean the Tropical Cyclonic (Typhonic) LOWS are more evenly spread over the entire years, although the months of greatest relative frequency are, as in the North Atlantic Ocean, July to November, inclusive, the maximum period being August to October, inclusive.

In the North Pacific the LOWS are subject to a classification of Types, depending upon the degree of parabolic curvature exhibited in their progressive movement. Of the segregation into twelve types, the first five embrace the storms that recurve. The remaining types are of storms that pursue comparatively straight tracks. Of the latter group Type XII have their origin in the China Sea and move thence in a northeasterly direction. Some Typhoons of the recurving types are found to move in a northerly direction, after completing a portion of the recurve, while a few of the storms of the Straight-track types recurve after moving to the continent. All changes in direction are due for the most part to the resisting and opposing circulation of the adjacent Anti-cyclonic HIGH. Anomalous types are represented by the secondary branches with northerly and easterly components, generally of short duration.

NOTE—Due to the Scarcity of Observing Stations and Reporting Vessels a Small Percentage of Hurricanes Escaped Record.

Fortunately the habitations of man, even the highest yet erected or projected, are far below the general level of nature's rain-producing machinery. This level varies with the heights of the clouds from which the rain descends. These clouds are at or near the cumulus level of from 3500 to 7500 feet. When rain is falling these clouds are termed nimbus, cumulo-nimbus or cyclone-nimbus, and their turbulent character is very pronounced. They are associated with the barometric LOW and indicate its presence. If the indications favor a thunderstorm the LOW becomes much more dangerous to the navigation of both the air and the sea, while over the land the thunderstorm conditions may result in the whirlwind, tornado or the hailstorm in summer. In the winter the hurricane, blizzard, sleet and snow will come from the LOW, both over the land and over the ocean. The latter with a more uniform surface than the former and retaining its heat units with greater tenacity, as compared with the rapid terrestrial radiation over the continental areas, the temperature gradients are favorable to a high degree of thunderstorm frequency over the oceans in winter. The more humid the air and the more energetic the local convections the greater the frequency and intensity of the thunderstorms. The time of maximum frequency of continental thunderstorms is during the Crucial-7-Hour-Hazard period of 2 P. M. to 9 P. M., as illustrated and explained in our Daily Rainfall Curves for the months of May to September inclusive, appearing in the issues of this Journal from April to December 1927 inclusive. During these hours vertical convection is at its maximum, especially in the presence and under the influence of barometric LOWS.

Since rapid vertical convection of humid air is essential to the production of the cyclone-nimbus or thunder-cloud, the conditions under which the vertical temperature gradient, essential to this convection, can be realized and established, are necessarily (a) strong surface heating, especially within areas of light winds; (b) the overrunning of one layer of air by another, at a temperature sufficiently low to encourage convection; and (c) the underrunning and consequent uplift of a saturated layer of air by a denser layer.

The basis for the violent up-rush and turbulent condition within the thunder and cyclone-nimbus clouds is reasonably certain to be the difference between the temperature of the inner or warmer portions of the cloud itself and that of the surrounding atmosphere at the same level, marked off by their respective temperature gradients. Likewise it is apparent that while some air must flow into the condensation column, the tubular area of convectional uprush, all along its length, the greatest pressure difference, and therefore the greatest inflow, is obviously at its base. After the rain has set in this basal inflow has been shifted to a location immediately in front of the storm and there maintained during the progressive development of the cyclonic vortex in the barometric LOW. Due to frictional retardation in connection with the earth, the lower portion of the cyclonic vortex lags behind, while the upper portion advances more rapidly, in the absence of resistance, and in consequence, the rainfall area spreads eastward in advance of the center of lowest barometric pressure, or the "eye of the storm."

OVER the ocean, because of the evaporation and the high specific heat of water, the surface temperature rises slowly during the day and falls slowly during the night. The diurnal range of temperature at the ocean surface is much less than that of the air resting upon it and therefore temperature gradients over the ocean, favorable to rapid vertical convection, are most frequent during the early morning hours. Consequently the maximum frequency of ocean thunderstorms is between midnight and 4 A. M., quite contrary to the situation on the land, where the storms occur in the afternoon, during the Crucial-7-Hour-Hazard period of 2 P. M. to 9 P. M.

Thunderstorm convection with rising air just in front and descending air with the rain, does not necessarily signify that the latter goes up again immediately, but that there is a constant interchange between the surface air in front of the storm and the upper air in its rear. The progress of the storm, by keeping up with the underrunning cold current effectually maintains the temperature contrast essential to a continuous convection that maintains the operation and energy of the storm.

Before the onset of a thunderstorm there is usually, if not always, a dis-

DAYS OF WEEK	INDIVIDUAL YEARS.																			DAILY TOTALS	DAILY AVERAGES	WEEKLY TOTAL	WEEKLY AVERAGE
	1905 Times	1906 Times	1907 Times	1908 Times	1909 Times	1910 Times	1911 Times	1912 Times	1913 Times	1914 Times	1915 Times	1916 Times	1917 Times	1918 Times	1919 Times	1920 Times	1921 Times	1922 Times	1923 Times	1924 Times				
SUNDAY	3	1	2	0	1	1	1	2	1	0	3	0	2	2	3	0	2	2	3	3	33	1.10		
MONDAY	3	2	3	1	2	1	1	2	1	2	0	2	2	2	0	3	0	3	0	4	36	1.80		
TUESDAY	2	4	1	3	0	2	2	3	0	2	1	3	2	2	2	4	3	2	2	4	44	2.20		
WEDNESDAY	4	1	4	3	1	2	3	3	1	2	3	4	0	1	2	1	2	1	1	2	41	2.05	265	37.86
THURSDAY	1	2	2	4	0	0	3	2	1	2	1	1	2	2	1	4	0	3	1	2	37	1.85		
FRIDAY	1	1	2	0	1	0	3	0	3	1	1	2	3	3	3	3	3	2	0	1	41	2.05		
SATURDAY	1	3	3	2	0	2	0	0	3	0	2	1	1	1	4	3	0	3	2	1	34	1.70		
TOTALS	17	14	17	13	11	8	13	12	10	9	11	13	12	13	17	18	10	20	9	18	265	12.75	----	-----
AVERAGES	2.43	2	2.43	1.86	1.57	1.14	1.86	1.71	1.43	1.28	1.57	1.86	1.71	1.86	2.43	2.57	1.43	2.86	1.29	2.57	37.86	1.82	----	-----

PLATE V—Rainfall Frequency—Rainfall Occurrence—May to September, 1905-1924. Correlation by years and days of week during a period of 20 years (1905 to 1924, inclusive) in the amount of a tenth of an inch or more between the hours of 2 P. M. and 9 P. M. at New York City.

The driest day in twenty years on Sunday was followed by the wettest day on Tuesday, succeeded by the next wettest days on Wednesday and Friday, and the next driest days on Saturday, Monday and Thursday. The driest year was 1910 and the wettest 1922.

NOTE—Observations Made by Automatic Self-Recording Raingage and Checked With a Direct-Measurement-Non-Recording Raingage. Both U. S. Weather Bureau Standard Instruments Located on the Roof of the Station Building, New York City, 304 Feet Above Sea-Level.

tinct fall in the barometer. At times this fall is extended over several hours, but whether the period be long or short, the rate of fall is usually greatest at the near approach of the storm. When the storm breaks the pressure rises very rapidly, almost abruptly, usually in the amount of from one to two millimeters, fluctuates irregularly, and finally as the center passes, again becomes rather steady, but at a somewhat higher pressure than prevailed before the storm approached, the meridian of the observer. The chief factors contributing to the increase of the barometric pressure succeeding the fall, during the thunderstorm, appear to be in the order of their magnitude; (1) decrease of the horizontal flow, due to surface friction; (2) vertical wind-pressure, due to descending air; (3) lower temperature; (4) and decrease in absolute humidity. Before the onset of the storm, the temperature is ordinarily high, and above the daily normal, but it begins to fall rapidly with the first outward gust of the descending air, cooled by the cold-rain and by its evaporation. As the storm passes, the temperature recovers slowly to a normal condition. The progressive velocity of the thunderstorm is the velocity of the atmosphere in which the bulk of the cumulo-nimbus clouds are located. Therefore, as the wind at this level is faster by night than by day, and faster over the ocean than over the land, it follows that precisely the same relations hold for the thunderstorm, that it travels faster over water than over land, and faster by night than by day. As a matter of course, the actual velocity of the thunderstorm, varies greatly, but its average speed, in Europe, is 18.63 to 31.05 miles per hour, while in the United States, it varies from 31 to 40.36 miles per hour.

THE towering cumulus cloud is the outward, visible symbol of an approaching thunderstorm. This storm, while characterized by thunder and lightning (manifestation of atmospheric electricity) is, in no sense, caused by them. They are incidents of the storm, but have no influence on the course, genesis, development or termination of this most important atmospheric disturbance. Concerning the presence and manifestations of atmospheric electricity, attendant upon the production of precipitation in all of its varied forms, Dr. G. C. Simpson of the Meteorological Department of British India has accomplished the most important observational and practical work. His records were made in 1908 and 1909, at Simla, the summer capital of India, having an elevation of about 7,000 feet, above sea-level. Some of the more important results of these remarkable and carefully conducted observations may be briefly summarized, as follows:—

1. The electricity brought down by the rain was sometimes positive, and sometimes negative.

2. The total quantity of positive electricity manifested, was found to be 3.2 greater than the total quantity of negative electricity exhibited.

3. The period during which positively charged rainfall occurred, was 2.5 times longer than the period during which negatively charged rain fell.

4. Negative currents occurred less frequently than positive currents, and the greater the current density, the greater the preponderance of the positive electricity.

5. While positive electricity was recorded more frequently than negative, yet the excess was the less marked, the higher the charge on the rain.

(Continued on page 31)

MONTHS	SUNDAY TIMES NO.	SUNDAY YEARS NO.	MONDAY TIMES NO.	MONDAY YEARS NO.	TUESDAY TIMES No.	TUESDAY YEARS NO.	WEDNESDAY TIMES NO.	WEDNESDAY YEARS NO.	THURSDAY TIMES NO.	THURSDAY YEARS NO.	FRIDAY TIMES NO.	FRIDAY YEARS NO.	SATURDAY TIMES NO.	SATURDAY YEARS NO.	YEARS	MONTHLY TOTALS TIMES NO.	MONTHLY TOTALS YEARS NO.
MAY	3	3	7	6	5	5	8	7	9	6	10	8	10	8	1905 to 1924	52	43
JUNE	8	7	6	6	8	7	11	7	9	7	9	7	8	7	1905 to 1924	59	48
JULY	9	6	11	8	14	11	7	6	9	9	8	5	9	8	1905 to 1924	67	53
AUGUST	9	7	5	5	10	10	10	7	8	8	6	6	3	3	1905 to 1924	51	46
SEPTEMBER	3	3	7	5	7	5	5	4	2	2	9	7	4	3	1905 to 1924	37	29
DAILY TOTALS	32	26	36	30	44	38	41	31	37	32	42	33	34	29	20	266	219
DAILY AVERAGES	6.4	5.2	7.32	6.0	8.8	7.6	8.2	6.2	7.4	6.4	8.4	6.6	6.8	5.8		53.2	43.8

PLATE VI—Rainfall Frequency—Rainfall Occurrence. May to September, 1905-1924. Correlation by days of week, months and years for a period of 20 years (1905 to 1924, inclusive) in the amount of one-tenth of an inch or more, between the hours of 2 P. M. and 9 P. M. at New York City.

The driest month in twenty years occurs in September and the wettest month in July, the remaining order of decreasing frequency being June, May and August.

NOTE—Observations Made by Automatic Self-Recording Raingage and Checked With a Direct-Measurement-Non-Recording Raingage. Both U. S. Weather Bureau Standard Instruments, located on the Roof of the Station Building, New York City, 304 Feet Above Sea-Level.

Engineering Insurance

(Continued from page 18)

an alternative to indemnity; and *to cancel.*

4. *Rights of the Insured,* beyond the basis right to payment, are *to cancel* and *to assign.*

A great variety of endorsements are available to the owner who wishes to extend or limit the terms of the usual direct damage form. For example, when the flywheel hazard is not written separately, it is covered by endorsement on the engine policy; gear wheels and steam turbines are also insured by endorsement on the engine policy; all policies may be endorsed to provide for part-time operation and the like.

STEAM BOILER PREMIUMS.—The premium on a steam boiler risk is made up of three parts. (1) A classification charge, (2) a basic charge, and (3) a location charge. Each will be described briefly.

The Classification Charge is made for every boiler insured, and varies with two factors: (a) the kind and use of the boiler, and (b) the amount of insurance taken. Every object insured under a boiler policy is assigned a classification number ranging from No. 1 to No. 78, the objects increasing in seriousness of hazard and in premium in that order. Thus a tire repair vulcanizer, excluding boiler and piping, is No. 3; the same equipment directly fired and including boiler and piping, is No. 10.

The amount of insurance written runs from $1000 up in units of the same amount, and is an important factor in determining not only the classification charge but the other two charges as well. The reason for this is that the engineering insurance underwriter realizes that the rate per object should decrease with an increase in the number of objects at one location; in the number of different locations; with the taking out of a higher ratio of insurance to value; and with an increase in the size of a boiler—for the reason that the physical hazard does not increase in the same proportion. For example, the premium (not premium rate) for $1000 insurance for a certain type of boiler is $1.60, for $2000 is $2.00, an increase in *premium* of only .40 for the additional $1000, and a decrease in the *premium rate* from .0016 per $1000 to .0004. The sliding scale of classification charges applies in this manner all the way up the scale of insurance amounts.

The Basic Charge is made for each policy, and varies with insurance taken only. Location is not a factor, neither are the kind and use of boilers. To illustrate, the premium charge for $1000 on one boiler is $7.50; $9.50 for $5000; $46.50 for $25,000, and so on. The corresponding rates of premium are: 7.5, .0109 and .00186 per $1000.

The Location Charge is made for each location, or situs of the risk. There are at present four location districts, divided according to the expense of transacting business and of making inspections, ranging from No. 1, states of relatively dense population and short distances, with the lowest charge, to No. 4, states like Colorado (except Denver), Idaho and Wyoming. The amount of insurance taken is also a factor in determining this charge, the amount decreasing with increase in insurance, but this is less important than geographical variation. The purpose of this charge is to allocate more exactly *differences* in inspection costs, especially travelling expenses, the basic amounts of which are cared for in the basic charge above. For example, $1000 insurance on the boiler used for illustration takes a premium of $10.10, $15.10, $20.10 and $25.10 for location districts No. 1 to No. 4 respectively; $5000 insurance, $10.50, $15.50, $20.50 and $25.50.

The addition of the classification, basic and location charges on a given risk equals the total gross premium. It is unfortunately not possible to describe precisely the actuarial bases, if any, of engineering insurance premiums because even at this late day premiums are based largely on underwriting judgment. What has been included here in the section on premiums, it should be understood by the reader, is therefore not so much an explanation of the rate structure as of the rate manual.

The Rainfall Hazard

(Continued from page 30)

6. With all rates of rainfall, positively charged rain occurred more frequently than negatively charged rain, and the relative frequency of positively charged rain, increased rapidly with increased rate of rainfall.

7. With rainfall of less than about one millimeter, in two minutes, positively charged rain occurred twice as often as negatively charged rain, while with greater intensities, it occurred fourteen times as often.

8. When the rain was falling, at a less rate than about 0.6 millimeters, in two minutes, the electric charge, per cubic centimeter, of water, decreased as the intensity of the rain increased.

9. With rainfall of greater intensity than about 0.6 millimeter, in two minutes, the positive charge carried, per cubic centimeter of water, was independent of the rate of rainfall, while the negative charge carried, decreased as the rate of rainfall increased.

10. During periods of rainfall, the potential gradient was more often negative than positive, but there was no clear indications of a relationship between the sign of the charge, on the rain, and the sign of the potential gradient.

11. The data obtained in these experiments do not suggest that the negative electricity occurs more frequently during any particular period of a storm than during any other.

As to the electrification of falling snow, Dr. Simpson obtained the following results:

1. More positive than negative electricity is brought down by snow in the proportion of about 3.6 to 1.

2. Positively charged snow falls more often than negatively charged.

3. The vertical electric current, during snow-storms are, on the average, larger than during rainfall.

4. The electric charge, per unit mass, of precipitation, is larger during snowfall than during rainfall.

Preliminaries.

Mrs. 'Awkins: "And 'ave you made all the arrangements for your wedding, my dear?"

Miss Jorkins: "Well, not quite all. I've got to buy my trooso and take a 'ouse and get me 'usband a job and buy 'im a suit of clothes and get some reg'lar washin' work to do. And then I'm to name the 'appy day."

Domestic Philosophy.

"That was an excellent paper your daughter read on The Influence of Science as Applied to Practical Government."

"Yes, Helen is the pride of her class, and now that she has mastered the Influence of Science as Applied to Practical Government I hope she will be willing to find out something concerning the Influence of the Vacuum Cleaner as Applied to the Parlor Rug."—*Boston Transcript.*

Pledged to a competent, prudent and conservative execution of its business for the purpose of obtaining the greatest benefits for its policy-holders and as its contribution to a continuance of the present high regard for the principles of mutual insurance.

HARDWARE MUTUAL CASUALTY CO.
STEVENS POINT, WISCONSIN

BRANCHES
Atlanta, Georgia
Boston, Massachusetts
Chicago, Illinois
Dallas, Texas
Indianapolis, Indiana
Los Angeles, California
Milwaukee, Wisconsin
Minneapolis, Minnesota
Newark, New Jersey
St. Paul, Minnesota
San Francisco, California

JOURNAL OF AMERICAN INSURANCE

ISSUED MONTHLY

CONTAINS NEWS AND TIMELY ARTICLES ON TOPICS OF LIVE INTEREST TO THE INSURANCE WORLD EVERYWHERE

Subscriptions $2.50 Per Year

Address:
180 No. Michigan Ave., Chicago, Ill.

INSURANCE AT COST
TWIN MUTUAL GROUP
YOUR SAVING

Twin Mutual Group

Grain Dealers Mutual Fire Insurance Company
Automobile Mutual Fire Insurance Company
Automobile Mutual Liability Insurance Company
Beacon Mutual Fire Insurance Company

An organization of Massachusetts Mutual Insurance Companies associated under one management and devoted to reducing insurance costs. Dividends 20% to 25%.

Twin Mutual Group
211 Congress Street
Boston, Mass.
A. Shirley Ladd, Secretary

SAFETY

Combined Statement
June 30, 1927

Assets	$8,654,446.38
Liabilities	5,549,795.48
Surplus	3,104,650.90

Dividends Returned to Policy Holders
Since Organization $21,639,703.73

FEDERAL HARDWARE *and* IMPLEMENT MUTUALS

Minnesota Implement Mutual
Fire Insurance Co.
Owatonna, Minnesota

Retail Hardware Mutual
Fire Insurance Co.
Minneapolis, Minnesota

Hardware Dealers Mutual
Fire Insurance Co.
Stevens Point, Wisconsin

Agencies in Principal Cities

NEWARK ATLANTA DALLAS SAN FRANCISCO MINNEAPOLIS

STRENGTH

FIRST PRINCIPLES

****

"TO PROMPTLY adjust and pay every honest loss" was one of the principles adopted by the directors of the "L-M-C" at the time of its formation. The faithful observance of this policy by the officials of the Company has contributed largely to the success of the "L-M-C". Many present policyholders were first attracted to the Company by the prompt, fair and courteous treatment given them as claimants.

Claim Service from Coast to Coast

Lumbermens Mutual Casualty Company

JAMES S. KEMPER, President

Pantheon Building **Chicago, U. S. A.**

ATLANTA	BUFFALO	NEWARK	PHILADELPHIA	ST. LOUIS
BALTIMORE	MILWAUKEE	NEW YORK	PITTSBURGH	SYRACUSE
BOSTON	MINNEAPOLIS	OMAHA	SAN FRANCISCO	TORONTO

Associate Company
Under "L-M-C" Management AMERICAN MOTORISTS INSURANCE COMPANY